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THE SUPPLEMENTAL SECURITY INCOME PROGRAM: A 10-YEAR OVERVIEW

AN INFORMATION PAPER

PREPARED FOR USE BY THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

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PREFACE

Ten years ago the supplemental security income (SSI) program was established to provide a nationally uniform guaranteed minimum income for the America's aged, blind, and disabled. In enacting SSI, Congress acted to substantially reform the Nation's welfare system by replacing a myriad of State-operated programs with a single Federal program administered by the Social Security Administration. SSI is federally financed, and is designed to distribute monthly cash benefits based upon nationally standard eligibility rules and requirements.

Congressional policy in enacting SSI incorporated three goals: To construct a coherent, unified income assistance system; to eliminate enormous disparities between States in eligibility standards and benefit levels; and to reduce the stigma of welfare through administration by the Social Security Administration. It was assumed that a central, national system would be simple and efficient to administer, and would protect recipients from many of the demeaning rules and procedures that had been part of the State-operated programs. Further, the program was designed to provide recipients opportunities for rehabilitation and incentives for them to seek employment.

This year marks the 10th anniversary of the implementation of the SSI program, and it is an appropriate time to examine the degree to which SSI has achieved its original objectives. The purpose of this committee print is to thoroughly assess the first decade of SSI, suggest what trends will be associated with its next 10 years, and review alternative policy directions for the future. The print is a compendium of six independent essays, each providing a different perspective on SSI.

In the first chapter, Dr. James H. Schulz, professor of welfare economics at Brandeis University, analyzes the historical context in which SSI was conceived, and examines the interrelationship between SSI and the social security system. He reviews the actual performance of SSI and finds that due to early legislative modifications, administrative complexity, low participation rates among the eligible population, and wide variation in State supplementation of the Federal limit, SSI has become a program somewhat different than originally anticipated. Schulz argues that though SSI "works," there remain a number of unresolved issues that Congress will have to consider in the future.

In chapter 2, Janice Peskin of the Congressional Budget Office, identifies the basic trends in benefit levels, outlays, and caseload characteristics that marked the first 10 years of SSI, and suggests what can be expected in the next decade. Generally, she empha-

sizes continuity in the program—benefits have maintained a stable relationship with the cost of living, and though the aged caseload has been declining due to improved social security coverage of the elderly population, the disabled caseload continues to grow.

In the third essay, Dr. John H. Noble, associate commissioner of the Virginia Department of Mental Health and Mental Retardation, examines the constellation of issues related to work disincentives in SSI and problems in the current rehabilitation system for recipients. He finds that few SSI recipients find gainful employment, and presents a set of policy options to improve both incentives to work and the opportunities for rehabilitation in the future.

In chapter 4, Dr. Jennifer Warlick, of Notre Dame University, explores the question of SSI's effectiveness in eliminating poverty among the low-income aged. She finds that even if 100 percent of those eligible for benefits received them, many would still subsist on incomes below the poverty level. In actuality, less than two-thirds of those eligible for SSI benefits participate in the program. Warlick agrues that although SSI combats proverty, it does not effectively eliminate it. She concludes that if Congress wants to insure that no aged person is forced to subsist on a below-poverty level income, it must both increase the payment standard and encourage greater participation among the eligible population.

In chapter 5, the Congressional Research Service (CRS) provides a comprehensive legislative history of SSI, and its unusual emergence in 1972 from the attempt to enact a family assistance plan (FAP). CRS also examines the trends and developments that marked its first 10 years, and reviews SSI's interrelationship with other public assistance programs.

In the final chapter of this report, the Social Security Administation (SSA) describes the basic administrative procedures and practices that govern the day-to-day operation of SSI. The chapter considers the enormous technical barriers that SSA had to overcome to administer this program in an efficient and effective fashion, and describes ongoing efforts to improve its functioning.

SSI is a critically important program that insures the economic security of 4 million aged, blind, and disabled Americans. On the 10th anniversary of the program's implementation, it is fitting to assess whether we have made good on our promise to provide a guaranteed minimum income to our Nation's most vulnerable individuals. The authors of this committee print review from diverse viewpoints the accomplishments of the last decade, and set an agenda for the next.

JOHN HEINZ, *Chairman.*

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THE SUPPLEMENTAL SECURITY INCOME PROGRAM: A 10-YEAR OVERVIEW

Chapter 1

SSI: ORIGINS, EXPERIENCE, AND UNRESOLVED ISSUES

(Prepared by James H. Schulz,[1] Ph. D., Professor of Welfare Economics, Brandeis University, Waltham, Mass.)

The supplementary security income program (SSI) works. But like most private and public income maintenance programs, it is not at all clear how well it works.

That it works at all is no small accomplishment. What started out to be a fairly straightforward and simple national floor of minimum income quickly turned into an administrative nightmare. Originally designed as part of a broader program of welfare reform, SSI was to (a) simplify administration and reduce welfare costs; (b) provide more adequate, more uniform, and more equitable benefits; (c) reduce the stigma discouraging those in need from seeking aid; and (d) improve incentives for the poor to seek employment.

But in seeking to implement and carry out these four goals, Congress, through a series of decisions over the years, developed an additional set of SSI objectives. Congress decided:

(1) That SSI should take over quickly from the more than 1,300 State and local governmental units administering welfare, with a minimum amount of time available for implementation planning by the Social Security Administration.

(2) That the various State governments should be relieved of a significant amount of the costs they had previously assumed for the needy aged, blind, and disabled and encouraged (but not required) to turn over to the Federal Government the administration of any programs supplementing the basic benefits.

(3) That, in general, persons already receiving income from the old State welfare programs should not lose benefits as a result of the new Federal program.

(4) Furthermore, that this "grandfathering" principle should also be extended to eligibility issues related to the interaction of SSI with social security pensions, medicaid, and the food stamp program.

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[1] My appreciation to the following persons for their comments and suggestions on a prior draft of this paper: William Birdsall, William Crown, Betty Duskin, John Harris, Leonard Hausman, Eric Kingson, Edward Lawlor, Thomas Leavitt, Robert Lerman, Phyllis Mutschler, and Denton Vaughan.

As a result of these (and other) decisions, the SSI program found itself in a situation of incredible complexity and sometimes conflicting objectives. The administration of SSI was quick to reflect this new reality. In its early days, the administration of the program floundered. Delays and errors in payments were widespread and of a major magnitude. The problems were so great that some argued at the time that SSI participants would have been better off under the old State programs.

Instead of improving what people described as the "welfare mess" by its simplicity of conception and its efficiency of operation, the new SSI turned out to be an extraordinarily complicated and inefficient program. Thus, in 1976, the then Commissioner of Social Security, James B. Cardwell, testifying before Congress on the problems encountered in administering SSI, pointed out that his organization had had to develop 100 computer programs with nearly 1 million individual instructions in order to administer the program. The result, he said, "* * * probably stands as one of the largest and most complex computer operations anywhere in this country." [2]

Over the years, however, many of the administrative problems were solved; SSA responded with new computers and new computer programs, additional staffing capacity, and the training and specialization of employees in the district SSA offices. These changes, together with the vital ingredients of time and experience, combined to improve the functioning of SSI.

But the many (and sometimes conflicting) objectives of SSI complicated much more than the administration of the program. Important issues related to adequacy, equity, and stigma also arose and, like the administrative problems, have not gone away. It is time for Congress to review the SSI experience to date, assess what has been achieved, and determine what changes are appropriate.[3]

THE "DESERVING POOR"

To better understand the issues related to SSI today, it is important to look back in history at our earlier collective actions taken in response to the poverty of various groups in the American population.

Initial efforts to deal with the needs of the poor in early America were influenced a great deal by the poor laws in England. Three principles of welfare became established early in America's history and continued to dominate policies down through the years: [4]

(1) That principal responsibility for providing and administering welfare programs was to reside with State governments and local communities.

(2) That aid was to be available primarily to persons who were established residents of a community.

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[2] U.S. Committee on Ways and Means, Subcommittee on Oversight, Oversight of the Supplemental Security Income Program, Hearings on April 8 and May 6, 1976 (Washington, D.C.: GPO, 1976), p. 10.

[3] In the discussion that follows we do not discuss in any detail the issues related to administering SSI. And we do not discuss at all the issues associated with disability. Both topics are extremely important but, given the paucity of available information, could not be developed by the author for this paper.

[4] Charles I. Schottland, The Social Security Program in the United States, 2nd edition (New York: Appleton-Century-Crofts, 1970).

(3) That relatives were to be held responsible for support of their needy kinsmen.

However, over the years one other major principle has dominated the development of welfare policies in the United States: that those in need who were unable to work were to be viewed much more favorably than those able to work—whether or not the latter had a job and irrespective of whether they could earn a living wage. Children, the disabled, and the aged have always received more favorable treatment than the working poor. Just before the passage of the Social Security Act in 1935, for example, over half the States had an old age assistance law, and all but two had programs for needy widowed mothers. While the benefits available under these programs were small, their very existence contrasted sharply with the lack of assistance provided by governments in the United States to the unemployed and their families.

Thus, as industrialization undermined traditional economic structures and the family, the economic plight of one nonworking group, the elderly, was recognized and action taken early in our history. In the early 1900's, a number of States established commissions to study the growing problems of the aged.

> These commissions reflected a shift in prevailing attitudes with respect to public assistance for the needy aged and needy dependent survivors in that these groups were increasingly assumed to be more the victims of circumstances than, say, low-paid workers and the unemployed. [5]

Writing on the situation before the Great Depression, Abraham Epstein (who went on to become a key figure in the push for social security legislation) estimated that about 30 percent of the aged were dependent on others for support, with the majority being assisted by relatives.[6] With the onset of the serious economic situation in the thirties, three things happened. The proportion of dependent aged rose dramatically—probably exceeding 50 percent by 1935.[7] In addition, rising unemployment (that exceeded 12 million people in the depths of the depression) seriously affected the ability of families to support aged relatives in need. And third, existing private charities and private pension plans found themselves overwhelmed by events, with many of the pension plans collapsing and unable to pay promised benefits.

Abraham Holtzman, in his insightful study of the Townsend Movement, dramatizes the rapidly changing character of the situation in the thirties:

> A significant change * * * [occurred] in the composition and character of the dependent aged. Their jobs eliminated, businesses ruined and savings wiped out, an influx of despoiled professional men, retired farmers, skilled workers and small businessmen entered the ranks of dependent aged. These were the people who had attained a degree of

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[5] John G. Turnbull, C. Arthur Williams, Jr., and Earl F. Cheit, Economic and Social Security, 3rd edition (New York: Ronald Press, 1967), p. 83.

[6] Abraham Epstein, The Challenge of the Aged (New York: Macy-Masius. Vanguard Press, 1928).

[7] Abraham Epstein, Insecurity: A Challenge to America (New York: H. Smith and R. Haas, 1936).

> independence and economic security. The laissez-faire philosophy which had predominated during their lifetime taught that the virtues of hard work and steady thrift were rewarded by an old age of comfort and security. Indeed, these newly depressed groups occupied a special position: they had exemplified the rewards of and beliefs in the prevailing system; they had proved it and therefore trusted and believed in it. Yet they were as helplessly broken on the economic wheel as were their less fortunate brethren. These new accretions to the ranks of dependent aged represented a particularly sensitive force receptive to protest politics.[8]

As Holtzman points out, older people in the Nation (and, of course, other groups too) were "ripe for organization and politics." Francis E. Townsend—a 60-year-old physician who had lost his job as assistant medical officer in Long Beach, Calif.—was one of those galvanized into action by frustration and anger. His idea was presented initially in a letter to the Long Beach Press-Telegram on September 20, 1933. When Townsend proposed a universal pension plan for the aged, the idea spread rapidly (initially to the surprise of Townsend himself) and grew dramatically into a nationwide movement of 2 million people organized in 7,000 clubs.

FLAT BENEFITS, PROPORTIONAL BENEFITS, OR BOTH?

Although the Townsend Movement never achieved its objective of a flat pension for all Americans age 60 or over, the movement itself had a major political impact. It clearly helped to marshal political support among voters for Federal legislation to help the elderly. Perhaps more significantly:

> The threat posed by the [Townsend] plan weakened conservative opposition to the more moderate proposals encompassed in the Social Security Act.[9]

Economic destitution was, of course, on the minds of many political leaders in the thirties. One of the most controversial moves by the new Roosevelt administration in the early thirties was action that challenged the historic principle of welfare relief as the domain of State and local governments. The establishment of the Federal Emergency Relief Administration in 1933 to oversee Federal grants to States and communities for relief purposes involved the Federal Government in a new and major way in this area. Still, however, ultimate authority remained with the States.

Then in the following year (1934), Roosevelt appointed the Committee on Economic Security as the first step toward an even more significant action to combat the widespread insecurity that prevailed. The Social Security Act that resulted was signed into law about 1 year later.

Much has been written about the planning and the decisions leading up to the Social Security Act, decisions that determined the

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[8] Abraham Holtzman, The Townsend Movement (New York: Brookman Associates, 1963), p. 23.

[9] Ibid, p. 87.

key provisions and scope of the law.[10] The importance of some of these decisions for the future treatment of the needy aged cannot be overstated.

For example, the old age pension program under social security was set up as an earnings related system. When that decision was made in the 1930's, it was not at all obvious that it should be done that way. At the time, many other countries had flat rate pensions. And the Townsend Movement was proposing a flat pension of $200 per month for all aged persons in the United States.

Support for the Townsend plan was widespread. Opposition to the flat rate pension proposed by Dr. Townsend and his followers (especially in Washington) primarily centered around its huge cost and the problems that would result from having to raise the necessary revenue. However, there was more general opposition to flat rate plans. The decision of the social security drafters against a flat rate plan is explained by J. Douglas Brown, one of the architects of the system, as follows:

> It was early recognized that a single flat rate of benefits for a country as diversified as the United States would fail to meet the needs of those living in the high-cost urban areas of the Northeast while being unduly favorable to those in the rural South.[11]

So the architects of social security focused on an earnings-related structure of benefits but with benefits weighted to provide greater adequacy to low earners. Thus began a tradition extending to the present of attempting to deal in one program with, on the one hand, the economic risks and problems facing all citizens as they approached old age and, on the other, the crisis of poverty in old age facing so many of those currently old (and many of those to follow).

Thus, in 1935 we started down a road that led to a variety of problems and complexities related to balancing and reconciling the adequacy and equity aspects of Federal programs providing income in old age. Regarding the programs for the poor, Axinn and Levin make the following comment on that 1935 decision:

> The Social Security Act established a dual system for federally supported income maintenance. The result for the country was a tripartite approach to public relief. The act provided for federally administered insurance programs and federally aided, State-administered assistance programs for selected groups. The grant-in-aid, State-administered financial assistance programs served to separate again the old poor from the new. The new poor, the unemployed, were covered by social insurance; the old "worthy" poor, by categorical public assistance. Left to the States was the third group, the "unworthy poor," for whom States and localities were to develop programs with Federal aid.[12]

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[10] For example, J. Douglas Brown, An American Philosophy of Social Security (Princeton, N.J.: Princeton University Press, 1972).

[11] Ibid, p. 163.

[12] June Axinn and Hermann Levin, A History of the American Response to Need (New York: Harper and Row, 1975), pp. 185–186.

DUAL PROGRAMS: OAA AND OASI

The Social Security Act provided, among other things, grants to the States for assistance to the needy aged, blind, and dependent children. But the act did not require participation by the States. Rather it established minimal Federal standards for receipt of the funds, keeping the responsibility for assistance within the States and allowing them wide discretion in dealing with welfare issues. By 1938, all but one State (Virginia) had a qualified plan, and over 22 percent of Americans age 65 and over (almost 2 million) were receiving old age assistance from State programs.[13]

The war had not yet come. But the recession of 1937–38 severely battered the American population, causing continuing hardship for millions. For the aged, the two primary sources of help were still relatives and the old age assistance programs. Social security old age pensions played no role at the time, since the program was not scheduled to begin until 1942. Looking ahead to the eventual start-up of social security, millions found themselves excluded:

(1) Large numbers of workers who were not in covered industries.

(2) The self-employed.

(3) Those workers in covered industries unable to achieve the necessary quarters of employment for eligibility as a result of unemployment or shifting to uncovered industries.

(4) All those already over age 65.

(5) The spouses and survivors of eligible workers.

As a result, economic insecurity and the lack of pensions in old age remained an important political issue throughout the country.

Out of power since 1930, many Republicans saw political advantage in supporting liberalization of pensions. Under the leadership of Senate minority leader Arthur H. Vandenberg, a Townsend-Republican coalition was formed for the 1938 elections. Large Republican gains were made in the elections, in part a result of Republican support for additional pension legislation.[14]

> To conciliate the national demand for increased old age security, to head off the demands by radical pension lobbyists, and to cut the ground from under the Republicans, the Democratic leadership undertook to liberalize its Social Security Act.[15]

The result was passage of amendments to the act that liberalized old age assistance grants, advanced the starting date for old age pensions to 1940, created a program of survivors benefits for widows and orphans, and established spouse benefits for the wives of retired male workers. The last change, the institution of spouse benefits, was a major change in both the adequacy levels and conception of the social security program. Once again Congress chose

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[13] Peter W. Martin, "Public Assurance of an Adequate Minimum Income in Old Age: The Erratic Partnership between Social Insurance and Public Assistance," Cornell Law Review 64 (March 1979): 458; and Holtzman, op. cit., pp. 102–103.

[14] Over 90 Republicans supporting all or part of the Townsend plan were elected, representing more than half the entire Republican membership in the House.

[15] Holtzman, op. cit., p. 104.

to deal with the problems of the needy aged in a significant but nontargeted way.[16]

Over the next three decades, this basic system of aged income maintenance—the old age and survivors program (OASI) and old age assistance (OAA)—continued to evolve, with old age assistance programs playing a major role. In the 1940's, both Congress and State legislatures repeatedly increased OAA levels; they were reacting primarily to inflation, as the Consumer Price Index rose 70 percent over the decade. In 1949, OAA reached a peak—providing benefits to nearly one-quarter of those age 65 and over. At the time, the number receiving OAA benefits exceeded by a wide margin (2,736,000 recipients) the number of OASI recipients (1,951,250) in the same year.[17]

The OAA rolls began to decrease in the 1950's. This resulted primarily from liberalizations of OASI that were legislated in 1950: extension of coverage to new groups of workers, higher benefit levels, and the reduction of eligibility requirements. Moreover, liberalization of OASI continued in the years that followed—with strong support from Presidents Eisenhower, Kennedy, and Johnson. All three presidents supported "the primacy of the social insurance program as the instrument of a national policy of preventing extreme need in old age."[18]

By 1954, the number of aged receiving OAA had declined slightly to 2.6 million, while the number receiving OASI pensions mushroomed to 4.6 million. For those receiving OAA, payments averaged $51 per month. But as Wilbur Cohen points out, in real terms (i.e., in terms of 1935–39 prices) these payments were equivalent to only about half the amounts paid out in the thirties when the programs were established.[19]

THE DECADE BEFORE SSI

A comprehensive background paper was developed in 1960 on the economic issues related to the aged. The paper, prepared for the 1961 White House Conference on Aging, looked at the prevailing economic status of the elderly and discussed issues of concern for the 1960's. The paper summarized the distribution of money income for 1958 and indicated the continuing seriousness of the economic situation for many. Table 1 reproduces the data presented in the background paper, showing the very low incomes of the aged during that period.

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[16] Questions regarding the original design of spouse benefits are an important component of the current equity controversy over the appropriate treatment of women under social security. See Virginia P. Reno and M. M. Upp, op. cit.

[17] U.S. Social Security Administration, Annual Statistical Supplement, 1949. Of course there was overlap between the two programs, with some recipients receiving income from both programs.

[18] Martin, op. cit., p. 480.

[19] Wilbur J. Cohen, "Government Policy Concerning Private and Public Retirement Plans." In George B. Huff, ed., Economic Problems of Retirement (Gainesville, Fla.: University of Florida Press, 1954), pp. 55–114.

TABLE 1.—1958 INCOMES OF PERSONS AGE 65 OR OLDER

[Percentage distribution]

Income	All individuals	Men	Women [1]
Zero	16.4	3.6	26.9
$1 to $999	40.6	28.6	50.6
$1,000 to $2,000	22.8	32.2	15.0
$2,000 or more	20.2	35.4	7.5
Total	100.0	100.0	100.0

[1] Includes individuals, primarily women, who receive support from a spouse.

Source: 1961 White House Conference on Aging, Background Paper on Income Maintenance (Washington, D.C.: The Conference, 1960).

Even with improvement in OASI, OAA payments continued to play an important role in providing economic support for the needy elderly. Despite broadened OASI coverage, the weighted formula, spouse benefits, and generally liberalized benefit levels, OASI still did not provide sufficient income for many low-wage earners in retirement to keep them off of OAA programs. In the years just before SSI was initiated in 1974, there were nearly 2 million elderly recipients of OAA, with about 60 percent of these recipients also receiving an OASI benefit.

In the years that followed, one of the most frequently voiced justifications for a program like SSI was the unsatisfactory nature of the highly decentralized network of public assistance programs set up under social security:

> The three "State-administered" grants-in-aid programs for the aged, blind, and disabled which SSI replaced were actually more than 1,000 different State, county, and local welfare plans. Because responsibility was diffused, these programs created a bizarre patchwork of varying eligibility requirements, benefit levels, and miscellaneous laws that were both inequitable and unworkable.[20]

Let us look more closely at the situation before SSI went into effect.

The Social Security Act required that an individual's income and resources be considered in determining need (except for certain special exceptions) but did not specify a standard or level of living to be used by the States. Consequently, each State developed its own definition of both the amount of resources to be used in determining eligibility and the levels of assistance to be provided to those meeting the eligibility requirements.

States generally defined assistance levels in terms of the number, kinds, and cost of certain specified consumption items included in various "assistance budgets." All States took food, clothing, shelter, fuel, and utility needs into account. Most States included items for personal care, nonprescription medicines, and household supplies. And many, but not all, States recognized "special needs," such as special dietary requirements or requirements for special transportation. One of the largest variations among and

[20] Gordon G. Chang, "The Supplemental Security Income Program: The 'Revolution' Needs Reform," Cornell Law Review 62 (January 1977): 316.

within States was the availability and cost of rental living units for assistance recipients.

Once a State established its full standards of need, financing considerations often played an important role. In some States, actual money payments to recipients were below the amount of determined need. This was a result of limits placed on the amounts of State funds made available to meet these needs.

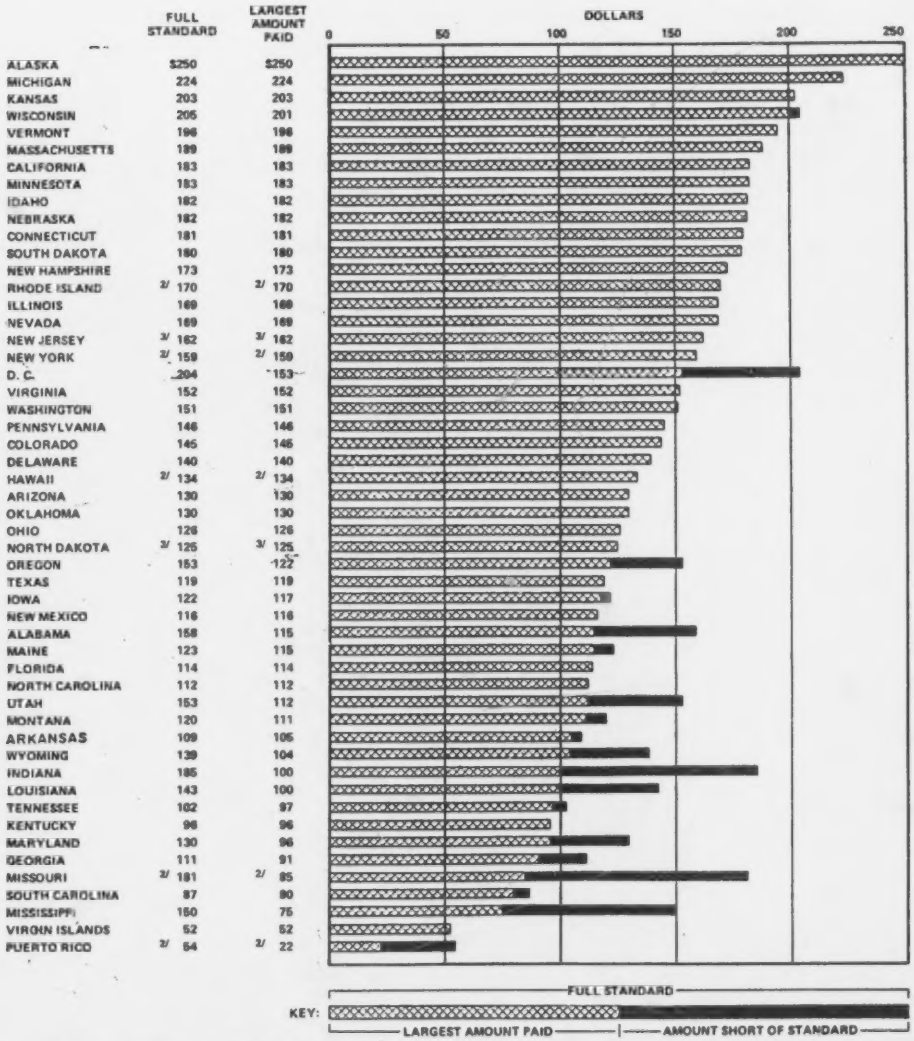
Figure A shows the differences among States in the largest monthly payment that could be paid an elderly woman in 1972 under the laws and regulations of each State. The largest payments in 1972 were over twice the lowest payments:

High [1]		Low	
Michigan	$224	Mississippi	$75
Kansas	203	South Carolina	80
Wisconsin	201	Missouri	85
Vermont	196	Georgia	91
Massachusetts	189	Kentucky	96
Minnesota	183	Maryland	96

[1] Excluded from this list is Alaska, which has an unusually high cost of living.

FIGURE A

OLD-AGE ASSISTANCE: FULL MONTHLY STANDARD FOR BASIC NEEDS FOR AN AGED WOMAN AND LARGEST AMOUNT THAT CAN BE PAID TO SUCH RECIPIENT, BY STATE, JULY 1972 [1]



1/ DATA BASED ON ASSUMPTIONS THAT THE RECIPIENT: (1) IS LIVING ALONE IN RENTED QUARTERS; (2) NEEDS AN AMOUNT FOR RENT THAT IS AT LEAST AS LARGE AS THE MAXIMUM AMOUNT ALLOWED BY THE STATE FOR THIS ITEM; AND (3) HAS NO INCOME OTHER THAN ASSISTANCE. DATA FOR GUAM AND WEST VIRGINIA NOT REPORTED.

2/ INCLUDES AN ESTIMATED AVERAGE FOR RENT.

3/ FLAT ALLOWANCE; INCLUDES SPECIAL NEEDS.

HEW-ERS-PEB-OS-NCSS NO. 388

Source: Department of Health, Education, and Welfare, Public Assistance Programs: Standards for Basic Needs (Washington, D.C.: July 1972).

Similar payment differences existed for elderly couples, with maximum levels of $330 (California), $290 (Colorado), and $280 (Massachusetts) versus $121 (South Carolina), $131 (Maryland), and $142 (Tennessee).

But differences in payment levels were only the beginning. Differences in eligibility requirements, estate recovery, and relatives' financial responsibility were also significant.

Seventeen States required grown children, if they had the means, to help support needy parents. Some of these States held an applicant ineligible when a child was able to contribute to his support even though the child did not and would not do so.[21]

More than one-half the States permitted the State or local public assistance agency to obtain unsecured or secured claims against the real or personal property of recipients. In extreme cases, claims on real estate might be exercised even though a surviving spouse or dependent was still occupying the premises.

Perhaps the most complex and widespread differences in State practices related to eligibility requirements:

> Under the old system [of assistance to the aged, blind, and disabled], however, one State required an aged person to use up his last dollar before receiving relief; another allowed a cash reserve equal to 1 month's cost of living; six limited cash reserves to $300 or $350. Even "liberal" New York denied relief to an old person with liquid resources greater than $500 and specified that this counted the face value of life insurance "for burial." One State barred relief to anyone whose house had a value more than $750 above that of "modest homes in the community," and the rules of some States required applicants to sell their car before obtaining help.[22]

In addition to the above, there were also differences in residence and citizenship requirements and differences in the treatment of residents in institutions.[23]

THE UNUSUAL ORIGINS OF SSI

It would be wrong, however, to argue that SSI originated as a Federal response to the inadequacies of these State programs and dissatisfaction with the variation among these programs. The establishment of a new Federal program guaranteeing a minimum income to the aged, blind, and disabled came about in a much more indirect way. As we indicated above, Congress and Presidents over the years had been sensitive to the problems of the "deserving poor." And they were concerned about the elderly, especially given the perception that old age politics had been a significant factor in past elections and could be important in future elections.

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[21] Alvin L. Schorr, Filial Responsibility in the Modern American Family (Washington, D.C.: U.S. Government Printing Office, 1960), pp. 23–24 and Vincent J. and Vee Burke, Nixon's Good Deed, Welfare Reform (New York: Columbia University Press, 1974), p. 195.

[22] Burke and Burke, op. cit., p. 194.

[23] Certain types of regulations, however, were subject to Federal standards. For example, Federal standards required that there could not be a State residence requirement of a period longer than five out of the past nine years.

The Federal response was not to focus on public assistance programs to help the needy. Quite the opposite. The focus was on the social security programs that were not means-tested, seeking through their liberalization to generally raise the living standards of the elderly and to reduce the role of the less attractive "welfare" programs in the various States.

OASI was made the cornerstone of those efforts. But as OASI was liberalized, a serious dilemma became apparent to increasing numbers of people. The problem with a strategy of combining in OASI the objectives of both social adequacy and individual equity was that neither could be satisfactorily carried out because of the inherent contradiction between the goals. As understanding and sensitivity to this dilemma grew, authoritative calls for dealing with welfare problems outside of OASI were voiced. One of the most influential challenges to the prevailing policy emphasis was a book on social security by a group of economists at the Brookings Institution. The major point in their book was that OASI should not operate both as a welfare system and a pension system:

> The advantage of the dual system is its efficiency and flexibility. Either part of the system could be altered independently of the other. At present, any effort to improve social security with respect to the income support function typically requires substantial improvements with respect to the earnings replacement function. For example, a program to raise minimum benefits to help the aged poor must in practice be joined with a general benefit increase, thereby making the cost of aiding the poor seem greater than it is. This is aggravated, of course, by the fact that the present system supplements income regardless of the income status of the beneficiaries. In many instances, higher minimum benefits would be paid to individuals with adequate income. Under the proposed system, the earnings related benefit could be set at any desired percentage of past earnings. Negative income tax allowances to those with low earnings histories would be sufficient to keep income above poverty level. Thus, policymakers and the public could identify immediately the cost of performing the two distinct functions of the system.[24]

While the thesis of the Brookings book was challenged and severely criticized at the time by many policymakers associated with social security, the central message of this and other critiques was apparently not entirely lost. The Burkes agree in their book on welfare reform that SSI:

> * * * solved a problem for key politicians—the defense of the social security wage-related "insurance" system against encroachments by welfare * * * Social Security Commissioner Ball told the congressional tax writers [House Committee on Ways and Means] that there were limits as to how far "they could go in making the social security system itself a complete replacement for an

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[24] Joseph Pechman, Henry Aaron, and Michael Taussig, Social Security: Perspectives for Reform (Washington, D.C.: The Brookings Institution, 1968).

income-determined or means-tested welfare benefit" without imperiling the wage-related and contributory nature of the system.[25]

When President Nixon initially proposed his family assistance plan in 1969, SSI as we know it today was not part of the package. Instead, Nixon recommended a new "national minimum standard" to determine the amount of aid for the aged, blind, and disabled needy. But the standard was to operate under the existing State programs and under the variety of State rules on eligibility and administration.

It was not until 1971, when the House Ways and Means Committee redrafted the family assistance plan as H.R. 1, that SSI was created. Although hailed by a few as a revolutionary development in income maintenance policy, SSI won congressional acceptance in 1972 with hardly any discussion and no floor debate. At the time, all the attention of Congress was on the family assistance plan, which was hotly debated but never passed, and on major changes in OASDI (benefit liberalization and indexation).

SSI's ADMINISTRATIVE SIMPLICITY IS SHORT-LIVED

Signed into law on October 30, 1972, as part of the Social Security Amendments of 1972, SSI went into operation 14 months later, replacing the State programs. Even before the law went into effect, however, two important changes in SSI were legislated. One of the changes raised basic Federal payment levels by $20 per month for individuals and $15 per month for couples. The other changes mandated that all States with pre-SSI benefits above the Federal minimum supplement the Federal payment so that the higher levels would be continued.

The matter of supplementation arose out of a basic question that confronted those in the 1960's who sought to federalize the American welfare system: was it acceptable for some current welfare recipients to lose benefits under a new system (acknowledging, of course, that many others would gain under the new system or at least be no worse off)? Certainly few policymakers wanted to worsen the situation of any recipient if there were no other factors to consider. In this case, however, there were other factors, factors that made the transition decision difficult. For example, if the SSI reformers had raised the Federal minimum guarantee to reduce or eliminate losses to State recipients, it would have meant massive and unacceptable increases in Federal program costs.

The other alternative was to encourage or mandate State supplementation to maintain the original State levels. In the case of SSI, the original bill passed in 1972 (similar to the provisions of the broader FAP bill) contained provisions to encourage state supplementation, but an amendment passed in 1973 mandated supplementation.[26]

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[25] Burke and Burke, op. cit., pp. 4 and 200.

[26] Martin, op. cit., p. 490, comments that Congress took the mandating action with little formal discussion (a one-day hearing by the Senate Finance Committee) and with little clear evidence on what might have been the action by various states under a voluntary supplementation scheme.

Legislating State supplementation administered by the Federal Government introduced a different cost into the picture: administrative complexity. When it was originally passed, SSI was presented as a program that would help solve the "welfare mess" through its simplicity of conception and its efficiency of operation. It was to be a program amenable to administration by one national agency and one that could reap the benefits of lower administrative costs through computerized processing. In this new program, Congress for the first time was abandoning the historic practice of providing income benefits to the needy by tailoring these benefits to each person based on an individualized assessment of circumstances and need. The hope was to eliminate much of the arbitrariness, complexity, welfare stigma, and cost that went along with operationalizing the individualized needs assessment. But by legislating mandatory and optional supplementation as part of the SSI legislation, Congress almost guaranteed that one of the promised benefits that was to come from the new program would not materialize. The fact is that the supplementation provisions reintroduced in a substantial way all the complexity of superceded law which SSI was supposed to eliminate.[27]

Testifying before the House Subcommittee on Public Assistance, House Committee on Ways and Means, Social Security Commissioner James B. Cardwell stated in 1975:

> The law *invited extensive variation* in State supplementary programs, most of which the Federal Government is now administering. There are State optional supplementation plans which reflect the choices allowed States to meet needs *as they perceive them.* The result in most States is a variety of differing optional supplementary payment amounts which we must administer. And then there are the mandatory supplementary programs, of which we administer 32. * * * The whole area of administration of State optional and mandatory supplementary programs seems to be inherent and basic to the program and *contributes a higher degree of complexity* to the administrative tasks of the SSI program. Many of these complexities are ones that we have to live with since *they are not susceptible to administrative measures* directed toward efficient operations. *They are complexities built into the programs by law.* [Emphasis added.][28]

Thus from the beginning, Congress itself, through the legislated supplementation provisions, undermined one of the often-voiced primary goals of SSI. Moreover, since SSI was passed in 1972, Congress has continued to add in other ways to the complexity of the program, given its reluctance (in this and most other welfare programs) to disadvantage any current recipient: (a) cost of living pass-through actions; (b) provisions "integrating" SSI with Federal medical programs, food stamps, and veterans' benefits; and (c) a variety of grandfathering exemptions regarding definitions of blindness

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[27] Chang, op. cit., p. 327.

[28] U.S. Subcommittee on Public Assistance, House Committee on Ways and means, Supplemental Security Income Program, Hearings on Development of the "Supplemental Security Income Program," vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1975), p. 5.

and disability, the SSI resources test, and the treatment of "essential persons"; and (d) a variety of income exclusions related to certain Indian tribal members, home energy assistance, the foster grandparents program, the Older Americans Act, and federal housing assistance.[29]

THE IMPACT OF SSI ON THE INCOMES OF THE POOR

If the goal of administrative simplicity has not been achieved, what about the goal of providing more uniform and more adequate benefits? Table 2 shows the maximum payment levels (Federal plus State supplements) as of January 1, 1984, for aged individuals and couples living independently.[30] For individuals, the level varies from the Federal minimum of $314 per month in 24 States to a high with supplementation of $566 in Alaska and $477 in California. For couples, the amount varies from the Federal minimum of $472 to a high with supplementation of $886 in California and $830 in Alaska. Figure B shows the distribution of State payment levels, indicating the number of States with maximum payments over the Federal minimum. Half the States supplement the Federal payment, but about half of them supplement by less than $50 per month.

TABLE 2.—MAXIMUM SSI PAYMENT LEVELS FOR AGED LIVING INDEPENDENTLY, JAN. 1, 1984

State	Individual	Couple	State	Individual	Couple
Alabama	$314	$472	Montana	$314	$472
Alaska	566	830	Nebraska	381	572
Arizona	314	472	Nevada	350.40	546.46
Arkansas	314	472	New Hampshire [4]	328	483
California	477	886	New Jersey	343.17	495.28
Colorado	372	744	New Mexico	314	472
Connecticut	466.10	585.30	New York	374.91	548.03
Delaware	314	472	North Carolina	314	472
District of Columbia	329	502	North Dakota	314	472
Florida	314	472	Ohio	314	472
Georgia	314	472	Oklahoma	383	616
Hawaii	318.90	480.80	Oregon	315.70	472
Idaho [1]	382	510	Pennsylvania	346.40	520.70
Illinois	[2] 377	609	Rhode Island	365.98	570.30
Indiana	314	472	South Carolina	314	472
Iowa	314	472	South Dakota	329	487
Kansas	314	472	Tennessee	314	472
Kentucky	314	472	Texas	314	472
Louisiana	314	472	Utah	324	492
Maine	324	487	Vermont [5]	364	563
Maryland	314	472	Virginia	314	472
Massachusetts	442	673.72	Washington [5]	352.30	508.40
Michigan	338.30	508.40	West Virginia	314	472

[29] Regarding (c) and (d), see John Trout and David R. Mattson, "A Ten-Year Review of the Supplemental Security Income Program," Social Security Bulletin 47 (January 1984): 3-24. "Amendments to other Federal programs have established special relationships with the SSI program. These changes have not necessarily been consistent with the principles of the SSI program. More than not, they are intended to assure that the specific purposes of the other programs were not negated by the interplay between it and the SSI program" (p. 11).

[30] In 40 States and the District of Columbia, the benefit levels under SSI for blind and disabled persons were the same as those in table 2. The exceptions were Alabama, California, Colorado, Florida, Iowa, Massachusetts, Nebraska, Nevada, North Carolina, and Oregon.

TABLE 2.—MAXIMUM SSI PAYMENT LEVELS FOR AGED LIVING INDEPENDENTLY, JAN. 1, 1984—Continued

State	Individual	Couple	State	Individual	Couple
Minnesota	[3] 349	538	Wisconsin	413.70	633
Mississippi	314	472	Wyoming	334	512
Missouri	314	472			

[1] State disregards $20 of SSI payment income in determining SSP amounts.
[2] Estimated by the Department of Public Aid in Illinois.
[3] Payment level for Hennepin County. State has 10 geographic payment levels.
[4] Effective January 1984, State disregards $13 of individual and $20 of couple SSI income in determining SSP amounts. SSP amount rounded to next highest dollar.
[5] State has two geographic payment levels—highest levels shown on chart.

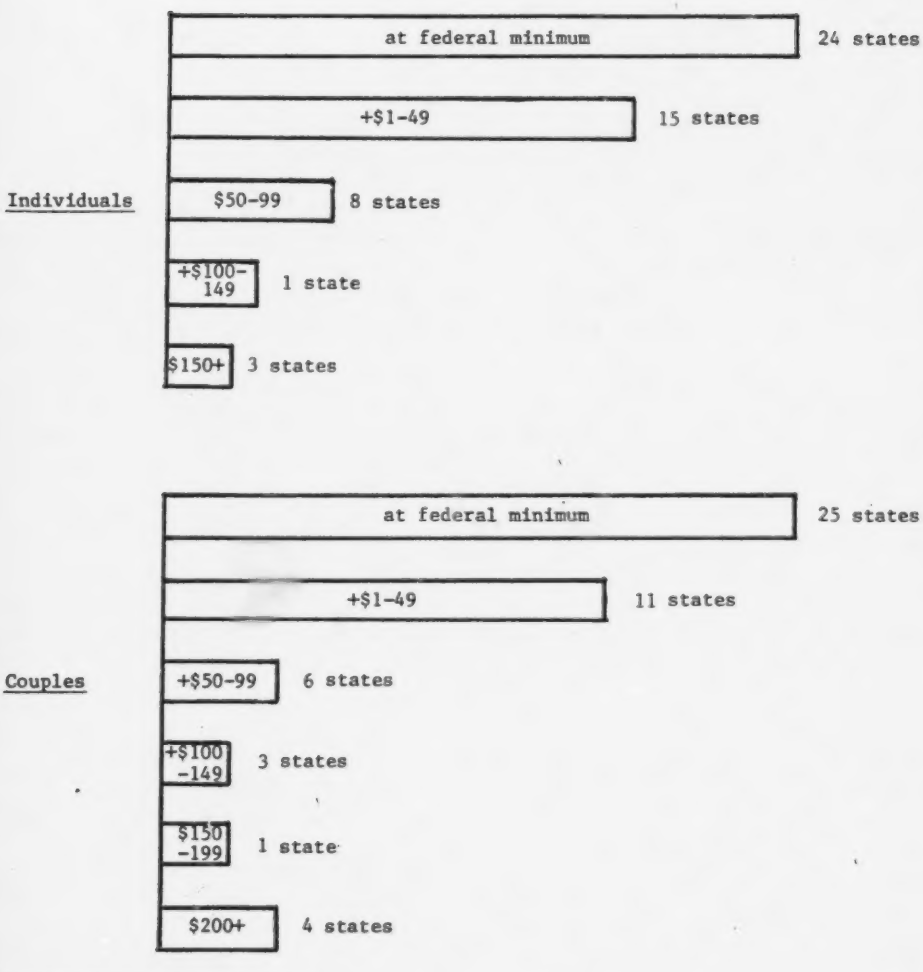
Source: Social Security Administration.

In an earlier section, we discussed differences in OAA payment levels just prior to SSI coming into operation. Wide differences prevailed at that time. From table 2 and figure B we can see that differences still exist. In fact, one might wonder whether any significant change has taken place as a result of the passage of SSI. A statistical analysis, however, by Grimaldi comparing benefit levels in 1973 and 1976 found less variation in benefits in the latter year.[31] Our analysis of the data in table 2 for 1984 produced similar results.[32] While differences persist, they are not as great as they were before SSI.

[31] Grimaldi, op. cit., p. 37 and table 14.
[32] The "coefficient of variation" for aged payment standards fell from 0.25 in 1973 to 0.16 in both 1976 and 1984.

FIGURE B

DIFFERENCES[a] IN MAXIMUM PAYMENT LEVELS
FOR INDIVIDUALS AND COUPLES, 1984[b]



[a]Figure shows monthly differences.

[b]See footnotes, Table 2.

The current variation in payment levels, however, has important implications for the goal of providing recipients with a minimum standard of living. When the Federal level was established for SSI, it was set at a level below the official government poverty level. When President Nixon first proposed to establish a mandated state minimum, the minimum was set at $65 per month. It was later raised to $90 per month, however, "because the drafters learned that the change would cost very little." [33] In 1970, during the welfare reform deliberations in Congress, the level was raised to $110 by the House Ways and Means Committee with the approval of the Nixon administration. Then in the spring of 1971, when the same committee redrafted the family assistance program into the H.R. 1 bill, SSI was created and the minimum level set at $130 per month for individuals. The Burkes, in their study of the welfare reform debates, say that $130 was selected because it was equal at the time to the median social security payment being paid under OASI.[34] As indicated previously, this monthly amount (which was the payment level specified in the 1972 legislation) was raised to $140 before the SSI program went into operation on January 1, 1974.

In 1974, the official government poverty level was $2,982 for a couple. Thus, when the SSI program began operation in 1974 the Federal minimum was significantly below the poverty level, especially for single individuals:

	Aged individual		Aged couple	
	1974	1984	1974	1984
(a) Federal SSI level	[1] $1,716	$3,768	$2,574	$5,664
(b) Poverty level	$2,364	[2] $4,958	$2,982	$6,293
(c) Ratio: (a)/(b) (percent)	73	76	86	90

[1] Benefits rose from $140 to $146 on July 1, 1974.
[2] Estimated, since official levels are not yet available.

While the benefit/poverty ratio has declined somewhat over the years, the automatic cost-of-living adjustment for Federal SSI payments has kept the changes in the ratio relatively small. And the ad hoc SSI increase of $20 for individuals and $30 for couples, which became effective on July 1, 1983, has had the effect of restoring the relationship close to its original 1974 level.

Since a large proportion of SSI recipients receive State supplementation and some have other income, comparing the Federal minimum alone to the poverty level is not the best indicator of the economic status of these recipients. Table 3 compares the poverty levels in 1974, 1978, and 1984 with combined Federal and State payment maximums. It shows that in 1984 only four States (Alaska, California, Connecticut, and Massachusetts) supplemented the Federal benefit enough to raise the maximum payment level for individuals above the official poverty level. The situation was better for couples, with the maximum payment level exceeding the

[33] Burke and Burke, op. cit., p. 189. Nixon's initial proposal would not have federalized the aged, blind, and disabled benefits, requiring only that States pay at least the established minimum. At the time, 38 States already paid at least $90 per month to aged individuals without other resources.
[34] Burke and Burke, op. cit., p. 201.

official poverty level in 11 States as a result of State supplementation.

Contrasting the situation in 1984 with 1978, table 3 indicates that over the 5-year period there has been a marked deterioration of payment standards in States with supplementation. Only two States (Illinois and Oklahoma) and the District of Columbia had a higher ratio in 1984 than in 1978. The other States had lower ratios in 1984—with declines of more than 5 percentage points in Alaska, California, Connecticut, Idaho, Massachusetts, Nevada, New York, Pennsylvania, Vermont, Washington, Wisconsin, and Wyoming.

TABLE 3.—RATIO OF COMBINED FEDERAL AND STATE AGED SSI PAYMENT MAXIMUMS TO POVERTY LEVELS IN 1974, 1978, AND 1984

State	Individuals			Couples		
	1974	1978	1984	1974	1978	1984
Alabama	.71	.73	.76	.93	.92	.90
Alaska	1.27	1.45	1.37	1.41	1.68	1.59
Arizona	.71	.73	.76	.85	.86	.90
Arkansas	.71	.73	.76	.89	.86	.90
California	1.19	1.24	1.15	1.77	1.83	1.70
Colorado	.84	.88	.90	1.33	1.39	1.42
Connecticut	1.21	1.14	1.13	1.15	1.51	1.12
Delaware	.76	.73	.76	1.00	.86	.90
District of Columbia	.71	.73	.80	.85	.86	.96
Florida	.71	.73	.76	.85	.86	.90
Georgia	.71	.73	.76	.85	.86	.90
Hawaii	.84	.79	.77	1.00	.94	.92
Idaho	.97	.93	.92	.94	1.05	.98
Illinois	.89	.71	.91	.88	.81	1.16
Indiana	.71	.73	.76	.85	.86	.90
Iowa	.71	.73	.76	.85	.86	.90
Kansas	1.03	.86	.76	.97	.86	.90
Kentucky	.71	.73	.76	.85	.86	.90
Louisiana	.71	.73	.76	.85	.86	.90
Maine	.71	.76	.78	1.05	.91	.93
Maryland	.71	.73	.76	.85	.86	.90
Massachusetts	1.13	1.21	1.07	1.27	1.46	1.29
Michigan	.81	.83	.82	.97	.99	.97
Minnesota	.90	.81	.84	1.04	.95	1.03
Mississippi	.71	.73	.76	.85	.86	.90
Missouri	.71	.73	.76	.85	.86	.90
Montana	.71	.73	.76	.85	.86	.90
Nebraska	1.05	1.07	.92	1.13	1.15	1.10
Nevada	.94	.88	.85	1.20	1.10	1.05
New Hampshire	.88	.83	.79	.92	.92	.91
New Jersey	.92	.79	.83	1.01	.89	.95
New Mexico	.71	.73	.76	.85	.86	.90
New York	1.05	.96	.91	1.19	1.10	1.05
North Carolina	.71	.73	.76	.85	.86	.90
North Dakota	.71	.73	.76	.85	.86	.90
Ohio	.71	.73	.76	.88	.86	.90
Oklahoma	.79	.89	.93	.97	1.10	1.18
Oregon	.83	.77	.76	.95	.89	.90
Pennsylvania	.76	.85	.84	.93	1.01	1.00
Rhode Island	.87	.86	.88	1.07	1.06	1.09
South Carolina	.71	.73	.76	.85	.86	.90
South Dakota	.96	.81	.80	.93	.91	.93
Tennessee	.71	.73	.76	.85	.86	.90
Texas	.71	.73	.76	.85	.86	.90
Utah	.71	.76	.78	.85	.89	.94

TABLE 3.—RATIO OF COMBINED FEDERAL AND STATE AGED SSI PAYMENT MAXIMUMS TO POVERTY LEVELS IN 1974, 1978, AND 1984—Continued

State	Individuals			Couples		
	1974	1978	1984	1974	1978	1984
Vermont	1.04	.87	.88	1.04	1.07	1.08
Virginia	.77	.73	.76	.85	.86	.90
Washington	.86	.88	.85	.98	1.00	.97
West Virginia	.71	.73	.76	.85	.86	.90
Wisconsin	1.10	1.06	1.00	1.32	1.29	1.21
Wyoming	.71	.80	.81	.85	.99	.98

Source: Calculated from data for 1974 and 1978 in Paul L. Grimaldi, Supplemental Security Income (Washington, D.C.: American Enterprise Institute, 1980), Table 2; unpublished data for 1984 from the U.S. Social Security Administration (see Table 2 in this paper); and published data on the official government poverty indexes.

In addition to the money income available from SSI, most recipients are also eligible for a variety of other public benefits.[35] The most important are food stamps and medicaid. With regard to medicaid, States were required by the SSI legislation to provide coverage to SSI recipients using either the SSI eligibility criteria or, at the State's option, the State's 1972 eligibility criteria (if more restrictive). With regard to food stamps, SSI recipients were originally excluded from participation in food assistance programs such as the food stamp program. Congress quickly removed that restriction, however, when confronted with the fact that people poor enough to receive SSI could not receive food stamps, while those receiving AFDC and some people who were less poor could qualify. However, data from the Survey of Income and Program Participation show that about two-thirds of the eligible elderly still do not participate in the food stamp program.[36]

Finally, it is important to remember that SSI permits individuals to have $65 per month of earnings and $20 of other income without affecting SSI benefits. While earned income is inconsequential for aged recipients (table 7), most received OASI benefits. What then is the total income situation of SSI recipients? Unfortunately no up-to-date analysis is available that answers that question. The only available study was done by the Social Security Administration for the SSI start-up year, 1974.

Table 4 shows the ratio in 1974 of total income to the poverty level for individuals or couples receiving SSI; the data in the SSA study are limited, however, to recipients who received old age assistance payments in 1973. Table 4 shows that only one-third of the aged family units had total incomes at or above the official government poverty level.[37] This is not surprising, given that (a) SSI payments are usually significantly below the poverty level, (b) the aged poor have almost no earnings, and (c) the nonearnings disregard (before other income is "taxed" at a 100-percent rate) is very small (see table 6).

[35] See R. L. Pupp and J. Menefee, "Public Transfer Support and Income Adequacy among the Low-Income Aged," Policy Studies Journal 12 (September 1983): 62–78.

[36] Food and Nutrition Service, U.S. Department of Agriculture. Assets of Low Income Households: New Findings on Food Stamp Participants and Nonparticipants. Report to Congress (Washington, D.C.: mimeo, 1981).

[37] This differs very little from the pre-SSI situation; the SSA study reports that 31 percent were at or above poverty in 1973.

TABLE 4.—POVERTY RATIOS [1] FOR AGED SSI RECIPIENTS,[2] 1974

[In percent]

Ratio	Preassistance income	Total income
0 to 0.24	34.0	0.3
0.24 to 0.49	24.5	3.3
0.50 to 0.74	23.2	25.3
0.75 to 0.99	11.2	39.0
1.00 to 1.24	4.4	16.2
1.25 to 1.99	2.4	14.9
2.00 and above	.2	1.1
Total	100.0	100.00

[1] Ratio of cash income to the official poverty level for the nuclear family unit.
[2] Includes only recipients receiving OAA in 1973.

Source: Sylvester J. Schieber, "First Year Impact of SSI on Economic Status of 1973 Adult Assistance Population," Social Security Bulletin 41 (February 1978): Table 8.

SHOULD WHERE YOU LIVE MAKE A DIFFERENCE?

Variations in supplementation levels are often explained as reflecting, at least in part, differences in costs of living from State to State. The best examples, of course, is the much higher SSI payments in Alaska, where costs for almost all goods and services are much higher than in the rest of the United States.

Currently there exist no good measures of geographic differences in poverty levels that incorporate differences in tastes and needs or differences in the costs of the "representative" goods and services consumed by the needy. The only data that have been available on a regular basis are from the family budget series published by the Bureau of Labor Statistics (BLS). This series has serious limitations, however, since it covers only 44 American cities, does not include cities in all 50 States, and excludes rural areas entirely. Nevertheless, data from this series do serve to crudely indicate the extent to which geographic differences exist.

Budgets have been estimated for a four-person family and a retired couple. The last year for which estimates are available is 1981.[38] Table 5 shows the indexes of comparative costs for a retired couple in 25 cities and various nonmetropolitan areas. Table 5 indicates relatively little variation in costs among cities, except for Anchorage, Honolulu, Boston, and New York City. Some differences are indicated between all the cities and the nonmetropolitan areas with populations of 2,500 to 50,000.

TABLE 5.—INDEXES OF COMPARATIVE COSTS FOR A RETIRED COUPLE, AUTUMN 1981 [1]

Area	Index [3]	Area	Index
Urban United States	100	Urban United States	100
Northeast:		South:	
Boston	117	Atlanta	93
Buffalo	105	Baltimore	98
New York and New Jersey	114	Dallas	96
Philadelphia and New Jersey	104	Houston	98
Pittsburgh	103	Washington/Maryland/Virginia	108
Nonmetropolitan areas [3]	101	Nonmetropolitan areas	86

[38] Estimates of the budget have been discontinued by BLS because of budgetary cutbacks.

TABLE 5.—INDEXES OF COMPARATIVE COSTS FOR A RETIRED COUPLE, AUTUMN 1981 [1]—Continued

Area	Index [2]	Area	Index
North Central:		West:	
Chicago and NW Indiana	98	Denver	98
Cincinnati/Kentucky/Indiana	98	Los Angeles—Long Beach	100
Cleveland	103	San Diego	96
Detroit	102	San Francisco—Oakland	107
Kansas City, Mo. and Kansas	98	Seattle—Everett	111
Milwaukee	104	Honolulu	119
Minneapolis-St. Paul	99	Nonmetropolitan	93
St. Louis and Illinois	99		
Nonmetropolitan areas	91	Anchorage	126

[1] Based on the "intermediate budget," which was $10,226 for the urban United States.
[2] U.S. urban average cost equals 100.
[3] Places with populations of 2,500 to 50,000.

Source: "Retired Couple's Budgets, Final Report, Autumn 1981," Monthly Labor Review (November 1982): 37–38.

A study by the Economic Research Service of the Department of Agriculture looked at urban-rural differences and found: [39]

(1) That the key issue concerning differentiations in food expenditures between urban and rural areas is home-produced food.

(2) That there seems to be no appreciable difference in clothing expenditures between urban and rural families.

(3) That housing (rents, value, utilities, and upkeep) is one area where considerable variation occurs but that costs are not consistently lower in rural areas.

(4) That transportation costs are considerably higher in rural areas.

As pointed out by the 1976 Government report on the Measure of Poverty, living costs may appear to be lower in the rural areas because rural residence is assumed to be farm-type residence. Rural residents are often assumed to save money by raising foods; many do not, while many families in nonrural areas do.

While the data are not very good and studies analyzing them are limited,[40] the available evidence seems to indicate that the current differences in SSI levels—except for a few areas—are not justified by geographic differences in the living costs of the needy. What stands out are the relatively small differences in costs from city to city, from region to region, and between urban and rural areas. Given the resulting inequities in the treatment of SSI recipients with similar needs and the additional administrative complexities and costs of an elaborate supplementation network, the situation gives support to suggestions some have made that the real level of the Federal guarantee should be raised and most supplementation under Federal guidelines should be eliminated.

A different issue arises with regard to the provisions in SSI that vary payment levels depending on whether the recipient lives inde-

[39] Analytic Support for Cost-of-Living Differentials in the Poverty Thresholds, Technical Paper XV. U.S. Department of Health, Education, and Welfare, The Measure of Poverty, a report to Congress mandated by the Education Amendments of 1974 (Washington, D.C.: DHEW, 1976).

[40] See, for example, Edward F. Lawlor, "Geographical Areas, Price Variability, and the Impact of Inflation on the Aged," the Gerontologist, forthcoming.

pendently, lives in the household of others, or lives in a medical facility.[41] The most controversial provision of the law in this area is the reduction of SSI payments by one-third if an individual receives food and shelter in someone else's household. This reduction was an attempt to take account of the in-kind income resulting from reduced living costs without administratively going through an elaborate determination of "value received" on a case-by-case basis.

The one-third reduction is defended as a way of maintaining equity among individuals with similar incomes (both money and in-kind) and, at the same time, keeping down "unnecessary" program costs. Those who advocate the elimination of the reduction, however, give a number of important reasons why serious consideration should be given to changing this provision:

(1) Administration of the program would be simplified by eliminating the need to determine if individuals meet the conditions for exemption from the reduction under provisions of the current law.

(2) The reduction discourages individuals from living in shared living arrangements, for example, with relatives who might provide care and assistance as personal care needs arise.

(3) The provision may fall disproportionately heavily on certain minority groups, notably Hispanics, among whom aged persons customarily live with other family members.

Recommendations for eliminating this provision were made by the 1975 SSI study group and the recent National Commission on Social Security. The 1979 Advisory Council on Social Security also questioned the provision and urged its liberalization.

ELIGIBILITY REQUIREMENTS

In order to qualify for SSI, there are two basic conditions that must be satisfied: (a) Income must fall under the guarantee level after taking into account certain "income disregards," and (b) assets must meet a variety of asset tests. These disregards and tests were set up under the original law and have not changed much since then. The two liberalizations that have occurred are the exclusions from the asset test of (a) the entire value of an owned residence (1976), and (b) the value of a burial plot (1982).

While the Federal SSI benefit levels have been adjusted annually by changes in the Consumer Price Index (CPI), both the income disregards and asset amounts involved in the eligibility test have not. The result is that as prices have increased over time, the unchanged disregards and asset test levels have become increasingly stringent. Table 6 shows the original (and current) amounts and what these amounts would be if adjusted for changes in the CPI. Only the asset test for the value of an owned automobile has been increased by an amount keeping up with inflation.

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[41] Inmates of public nonmedical institutions are not eligible for SSI. An amendment passed in 1976, however, exempted publically operated community based residences serving 16 or fewer individuals. An amendment passed in 1983 exempted individuals living in public emergency shelters for the homeless (up to 3 months in any 12-month period).

TABLE 6.—SSI INCOME AND ASSET LIMITS

	1974 legislated	1984 actual	1984 indexed amount [1]
Income disregards:			
Unearned income [2]	$20	$20	$39
Earned income [3]	65	65	126
Asset exclusions:			
Overall amount:			
Individual	1,500	1,500	2,910
Couple	2,250	2,250	4,365
Automobile	1,200	4,500	2,328
Household goods and personal effects	1,500	2,000	2,910
Insurance (face value)	1,500	1,500	2,910
Burial	[4] 0	1,500	([5])
Home value	[6] 25,000	All	([5])

[1] Based on changes in CPI through 1983.
[2] Technically this disregard includes both unearned and earned income.
[3] Fifty percent of earnings over $65 is also disregarded.
[4] Originally, if a burial trust was irrevocable or a plot was not legally salable, it was not considered by the Social Security Administration to be a countable resource.
[5] Not applicable.
[6] $35,000 in Alaska and Hawaii.

Source: Program statistics, updated by CPI figures published by the U.S. Bureau of Labor Statistics.

With regard to these various eligibility criteria, the *earned* income disregard is probably the least important, given the small number of SSI participants who work. Table 7 shows the employment experience of recipients in 1982. In that year an almost insignificant percent of elderly recipients (1.4 percent) reported earnings.

TABLE 7.—PERSONS RECEIVING FEDERALLY ADMINISTERED SSI PAYMENTS AND OTHER INCOME

Number, percent, andl average amount	Total	Aged	Blind	Disabled
Total	3,857,590	1,548,741	77,356	2,231,493
With social security benefits:				
Number	1,905,142	1,077,526	29,016	798,600
Percent of total	49.4	69.6	37.6	35.8
Average monthly benefits	$230.76	$233.83	$244.53	$226.12
With earnings:				
Number	124,412	22,124	5,027	97,261
Percent of total	3.2	1.4	6.5	4.4
Average monthly benefits	$108.26	$104.88	$414.04	$93.23
With other nonearnings income:				
Number	389,287	193,540	8,530	187,217
Percent of total	10.1	12.5	11.1	8.4
Average monthly benefits	$80.92	$71.21	$84.27	$90.81

Source: Social Security Administration, Annual Statistical Supplement, 1982, Social Security Bulletin (Washington, D.C.: U.S. Government Printing Office, n.d.), Table 185.

A much more serious question arises in connection with the asset tests. Some people think that these tests unfairly exclude many potential SSI recipients. To investigate this question requires information on the nature and extent of assets held by elderly persons with incomes below the SSI eligibility level but with assets above the SSI restrictions. No comprehensive statistics are currently available to provide this information.

The best available published data are from a report to Congress on the food stamp program's asset test.[42] Published tabulations from the spring 1979 wave of the 1979 Research Panel of the income survey development program show the nature and extent of assets for low-income households of *all* ages and some special tabulations of particular assets for households with at least one member age 60 or older. Table 8 shows the value of all assets other than owned homes and total "liquid" assets held by "low income"[43] households ineligible for food stamps because of these assets. Table 9 shows separately the car and life insurance assets of older households.

TABLE 8.—ASSETS OF HOUSEHOLDS INELIGIBLE FOR FOOD STAMPS WHO HAD QUALIFYING INCOMES BUT NONQUALIFYING ASSETS, [1]1979

Reported value of assets	All assets (except home) [2]	Liquid assets [3]
Zero	[4] NA	3.1
$1 to $500	NA	3.6
$501 to $1,000	NA	1.5
$1,001 to $1,500	NA	.9
$1,501 to $2,000	2.6	5.5
$2,001 to $3,000	8.1	7.6
$3,001 to $5,000	21.5	25.1
$5,001 to $10,000 [5]	39.6	
$10,001 to $20,000	16.1	
$20,001 to $50,000	6.3	52.7
$50,001 to $75,000	1.0	
Over $75,000	4.8	
Total percent	100.0	100.0

[1] In 1979, countable assets over $1,750.
[2] Also excluded is the value of personal possessions and household goods.
[3] Cash, checking and savings accounts, stocks, bonds, mutual funds, and CDs.
[4] Not applicable.
[5] Specific vaules in excess of $5,000 were not collected for some types of assets. Nonspecified amounts in excess of $5,000 are assigned to this bracket.

Source: Food and Nutrition Service, U.S. Department of Agriculture Assets of Low Income Households: New Findings on Food Stamp Participants and Nonparticipants. Report to Congress (Washington, D.C.: mimeo, 1981), Tables 3–3 and 3–4.

TABLE 9.—CAR AND LIFE INSURANCE ASSETS OF OLDER [1] HOUSEHOLDS WITH QUALIFYING INCOMES AND NONQUALIFYING ASSETS RELATED TO PARTICIPATION IN THE FOOD STAMP PROGRAM, 1979

Bluebook value	First car [1]	Face value	Life insurance
Zero	43.9	Zero	79.2
$1 to $500	17.2	$1 to $3,000	13.8
$501 to $1,000	9.4	$3,001 to $10,000	4.8
$1,001 to $2,000	10.2		
$2,001 to $3,000	8.3	$10,001 to $50,000	2.2
$3,001 to $4,000	8.0		
$4,001 to $4,500	1.6	$50,001 to $75,000	0
$4,501 to $6,000	0.2	Over $75,000	(3)

[42] Food and Nutrition Service, op. cit.
[43] Low income here refers to households with incomes low enough to meet the food stamp program's income test.

TABLE 9.—CAR AND LIFE INSURANCE ASSETS OF OLDER [1] HOUSEHOLDS WITH QUALIFYING INCOMES AND NONQUALIFYING ASSETS RELATED TO PARTICIPATION IN THE FOOD STAMP PROGRAM, 1979—Continued

Bluebook value	First car [1]	Face value	Life insurance
$6,001 to $10,000	1.0		
Over $10,000	0.1		
Not available	0.1		
Total percent	100.0		100.0

[1] Households with a member age 60 or older.
[2] Some households had more than one car.
[3] Less than 0.5 percent.

Source: Food and Nutrition Service, U.S. Department of Agriculture, Assets of Low Income Households: New Findings on Food Stamp Participants and Nonparticipants. Report to Congress (Washington, D.C.: mineo, 1981), Tables 3–3 and 3–4.

Some other data are available on the assets of low-income elderly persons. Information on assets in 1975 is available from the "Retirement History Survey." Table 10 shows the relevant published data from that survey for 1975.[44] The table shows the mean and median values of liquid assets in that year for persons age 63 to 69 who were in the bottom quarter of the income distribution.

TABLE 10.—LIQUID ASSETS[1] OF PERSONS AGE 63 to 69 WITH "LOW INCOME,"[2] BY SEX AND MARTIAL STATUS, 1975

	Total	Married men	Nonmarried men	Nonmarried women
Number	1,039	601	68	340
Median	$29	$299	$0	$0
1st quartile	$0	$0	$0	$0
3d quartile	$999	$2,589	$599	$399
Mean	$2,254	$3,495	$1,191	$2,396

[1] Liquid assets are the sum of funds in checking accounts, savings accounts, U.S. savings bonds, stocks, corporate bonds, and mutual funds.
[2] "Low income" refers to those individuals with incomes in the bottom quarter of the income distribution for a national survey of persons approaching or in retirement (the SSA Retirement History Survey).

Source: Based on data in Table 4.5 of Joseph Friedman and Jane Sjogren, The Assets of the Elderly as They Retire. Final Report to the Social Security Administration (Cambridge, Mass.: Abt Associates Inc., 1980), p. 51.

We see that the "low income" people whose assets are reported in table 10 also had liquid assets of very low value. Half of the people surveyed had liquid assets under $29. The average for all respondents was $2,254—compared to the SSI general limit of $1,500.

A different kind of information is available from SSI program data. Table 11 shows the asset holdings of SSI applicants who were found ineligible because of excess resources.[45] The average value of savings accounts held by these applicants was only $2,834, which would not produce much interest income. Thus, as pointed out by the National Commission on Social Security, "a small savings account would produce an insignificant amount of income but could disqualify some people who have adequate incomes." [46]

[44] Caution must be exercised in interpreting these numbers for the sex/marital status categories, given the relatively small sample sizes.
[45] More recent data of this type are available. According to representatives of the Social Security Administration, data of this type are no longer collected.
[46] National Commission on Social Security, Social Security in America's Future, Report of the Commission to the President (Washington, D.C.: The Commission, 1981).

TABLE 11.—RESOURCE HOLDINGS OF SSI APPLICANTS DISALLOWED DUE TO EXCESS RESOURCES

Type of resource	Percent of applicants owning resource	Average value
Home	50	$19,349
Other real property	21	9,524
Vehicle No. 1	57	1,469
Vehicle No. 2	18	878
Life insurance	20	[1] 6,454
Personal property (of unusual value)	1	450
Cash on hand (including unnegotiated checks)	56	126
Checking account	46	639
Savings account	58	2,834
Other liquid resources	8	4,092
Total "countable" resources	100	4,686

[1] Face value of policies; non-excludable cash surrender values were applicable for 13 percent of the cases and ranged from $75 to $8,000.

Source: Resource Holdings and Verification of Resources—New SSI Adjudications during 1977, Division of Program Measurement and Evaluation, Office of Payment and Eligibility Quality, Office of Assessment, Social Security Administration, July 1979. Reproduced in the report of the National Commission on Social Security.

Finally, Radner and Vaughan have analyzed more recent data from the income survey development program (ISDP) and provide another look at the asset situation of lower income aged. Data were analyzed for the fifth wave of the ISDP survey, which was carried out in early 1980. The survey data are tabulated based on the age and other characteristics of the person in whose name the living unit is owned or rented. Table 12 presents some of their findings.

Table 12.—The distribution of financial assets of lower income aged in 1980

Financial assets [1]	*Low income* [2] *aged households*
$0 to $111	29
$112 to $793	19
$794 to $3,310	21
$3,311 to $15,248	21
Over $15,248	10
Total percent	100

[1] Cash, checking and savings accounts, bonds, stocks, and other financial paper.
[2] Income in the lowest 20 percent of the income distribution for households of all ages, which for the sample was below $7,269.

Source: Based on Table 11 in Daniel B. Radner and Denton R. Vaughan, "The Joint Distribution of Wealth and Income for Age Groups, 1979," paper presented at the C.V. Starr Center Conference on International Comparisons of the Distribution of Household Wealth, New York University, November 1983, mimeo.

Radner and Vaughan look at income and wealth for households at all ages and at all income levels. They tabulate the asset distribution by quintile classes; that is, the households are divided into five equal groups, each representing 20 percent of the total group. For our purposes, table 12 focuses on the aged in the lowest quintile, those with incomes below $7,269.

Because the asset classes, income level, and income units do not correspond closely to the overall asset and income levels for SSI, we cannot make any precise estimates. However, these data (as do other data discussed) tend to support the National Commission on Social Security's belief that the "stringent assets test denies SSI payment to some people who have inadequate incomes." [47]

[47] National Commission on Social Security, op. cit., p. 250.

Consideration of the assets of the poor arises from the fact that income alone is not an entirely satisfactory measure of economic status: well-being is also enhanced by wealth that can be depleted in order to provide a means of purchasing goods and services. The principal arguments made in support of the asset test, therefore, are that it helps insure equity among individuals and that it ensures that low-income persons utilize alternative sources of support before receiving assistance from govenment programs. The test is imposed to keep down program costs, to target support to those with the lowest means, and to avoid the political embarrassment of providing benefits to the "Cadillac and mink coat needy."

Apart from outright elimination, a number of alternatives to the current asset test have been proposed. One proposal is to count each year some percent of various assets as income for purposes of determining eligibility by an expanded income test. Another alternative is to "tax" income from assets that is above the disregard level at a rate lower than the current 100 percent for nonearnings income. Or, some combination of the above approaches is possible. In its general welfare reform proposals, the Carter administration, for example, proposed putting an 80 percent tax on all unearned income and adding to counted income 15 percent of nonhousing assets over $500.[48] An earlier proposal by the Subcommittee on Fiscal Policy of the Joint Economic Committee proposed a progressive imputation schedule on assets over $10,000 and a 67-percent tax on this imputed income.[49] Using data from the 1974 Michigan Survey of Income Dynamics, Moon analyzed the equity of these various options and concluded that the Carter administration's proposal constituted "a reasonable compromise of equity concerns." [50]

Those who advocate elimination or major liberalization of the test give a number of reasons to support their call for change:

(1) The test discourages low-income people from saving, especially as they approach old age, and encourages people to "spend down" or transfer their assets in order to qualify for the program.[51]

(2) Since individuals have already paid taxes on the income that they save, the asset test is a form of double taxation.

(3) People who have saved a modest amount but are unwilling to give up the economic security and sense of pride provided by resources over the limits are denied assistance, even though these resources, as far as the individual is concerned, are not available for consumption purposes.

(4) Persons with large amounts of income-producing assets will not achieve eligibility in any event because the income from these assets will be credited toward achieving the income guarantee.

(5) Administration of the asset test is costly, significantly delays eligibility decisions, is subject to a large number of

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[48] Ten percent of business assets were included, but business assets could not exceed $5,000.

[49] Income Security for Americans: Recommendations of the Public Welfare Study (Washington, D.C.: U.S. Government Printing Office, 1974), pp. 195–196.

[50] Marilyn Moon, "Supplemental Security Income, Asset Tests and Equity." Policy Analysis 6 (Winter 1980): 1–20.

[51] In 1980, legislation was passed requiring that in SSI the uncompensated value of any nonexcluded resource disposed of for less than its fair market value continue to be taken into account as part of the individual's resources for 2 years after disposal.

errors, but ultimately changes the outcome of few eligibility reviews.

Thus, a strong case can be made that since the assets of the low-income elderly are generally low or nonexistent, the intrusion into people's lives, the costs of administration, and the stigmatizing resulting from the tests is hardly worth the relatively small effect that experience indicates the tests have on actual outcomes in the application process.[52]

PARTICIPATION

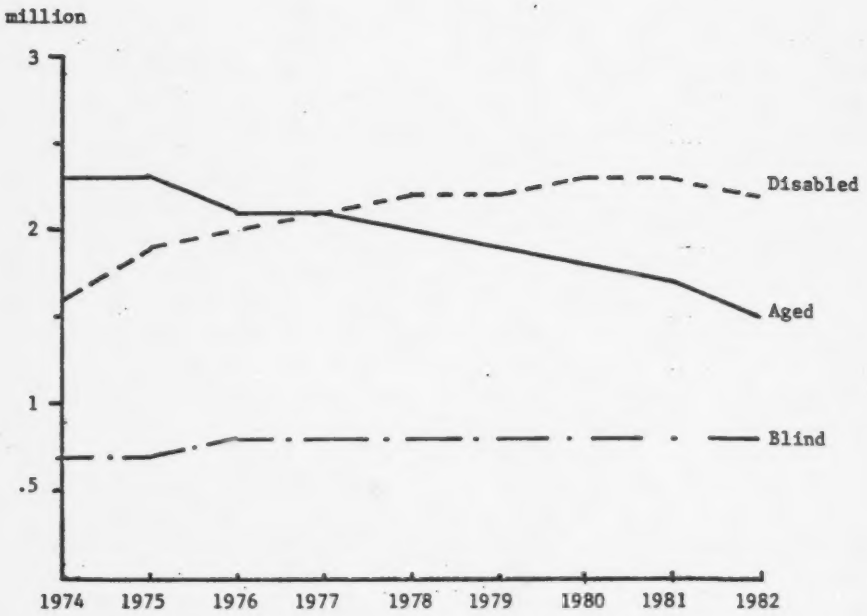
When one thinks about SSI, one should also think about women. About two-thirds of all SSI recipients are women; moreover, women constitute about three-quarters of the aged receiving SSI. These statistics, of course, reflect a more general phenomenon; rising rates of divorce and widowhood among women have imposed on them rising economic hardship. In the years before SSI, women had the highest need for public assistance. In the years since, the need has increased and the imbalance in economic security between men and women has increased. Thus, when we discuss below the problems of nonparticipation in SSI, it is important to keep in mind the fact that this is an important women's issue.

In the year before SSI began there were about 3 million aged, blind, and disabled receiving public assistance. With the implementation of SSI the number of receiving assistance rose by almost a million people. Since then the numbers have not changed much, increasing to a peak of 4.3 million recipients in December 1974. There has been some shift, however, in the relative numbers in the three different programs. Figure C shows the decline that has occurred in the number of elderly recipients and the corresponding rise in those receiving payments as a result of disability.

[52] The asset test is discussed further at the end of the chapter.

FIGURE C

SSI RECIPIENTS, 1974-1982[a]



Source: Based on data published by the U.S. Social Security Administration.

[a]Includes persons receiving a federal SSI payment and/or federally administered state supplementation.

The increase in the number of recipients that occurred with the establishment of SSI has been much lower than expected. Instead of the 4.3 million that actually received assistance by the end of 1974, the Social Security Administration had projected that there would be over 6 million recipients. And the number of aged recipients turned out to be approximately half the official projection. Thus, right from the beginning, one of the major concerns regarding SSI has been the fact that millions of eligible needy persons did not participate in the program. Unfortunately this problem continues even today, despite much research to understand the nature of the problem and major outreach efforts to encourage and boost participation. It is currently estimated that 35 to 40 percent of the elderly eligible for SSI do not participate.[53]

While there are many factors influencing whether or not people participate in SSI, it seems clear, based on the evidence to date, that two are of primary importance: knowledge of the program and attitudes of individuals toward "welfare." Two major studies of SSI participation have highlighted the importance of both these factors. The first study analyzed data from the 1973–74 SSA survey of low-income aged and disabled (SLIAD), and the second study analyzed a sample of 2,000 lower income elderly in 1979, some of whom were (a) not eligible for SSI, (b) eligible and participating, or (c) eligible but not participating.[54]

In the SLIAD survey, only 12 percent of the disabled and 7 percent of the aged specifically mentioned knowledge of SSI as a source of assistance. In the "2,000 low-income elderly" study, "perhaps the most surprising and important survey finding is that 49 percent of nonparticipants have never heard of SSI or any program that would help elderly people with little money." [55]

Over the years, SSA has made a major effort to inform people about the SSI program. In several years SSA has attempted to screen and contact everyone in the social security files who might be eligible for SSI. Special outreach efforts have been organized to reach eligible people through various community organizations. And millions of dollars have been spent on literature and media information dissemination.

Still, numerous critics have pointed out limitations and problems related to SSA's efforts.[56] Many remain unconvinced that efforts thus far have been adequate.[57] Whether this is true or not, the fact

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[53] For many years there was speculation that the SSA estimates of eligibility for SSI were too high because of poor data. A recent study sponsored by SSA indicates, however, that they are probably too low. See Urban Systems Research and Engineering, SSI Aged: A Pilot Study of Eligibility and Participation in the SSI Programs, Final Report to SSA (Cambridge, Mass.: mimeo, 1981).

[54] John A. Meneffee, B. Edwards, and S. J. Schieber, "Analysis of Nonparticipation in the SSI Program," Social Security Bulletin 44 (June 1981): 3–21 and Linda Drazga, M. Upp, and V. Reno, "Low-Income Aged: Eligibility and Participation in SSI," Social Security Bulletin 45 (May 1982): 28–35. The Drazga, et al. article summarizes the longer report by Urban Systems Research and Engineering, Inc., op. cit.

[55] Urban Systems Research and Engineering, Inc., op. cit., p. 97.

[56] See, for example, the discussion in Menefee, et al., op. cit., p. 18. In contrast, a 1977 staff study by the Senate Finance Committee concluded that outreach efforts were more than adequate. See The Supplemental Security Income Program, Staff Report (Washington, D.C.: U.S. Government Printing Office, 1977), pp. 16–17.

[57] SSA is currently engaged in another major outreach effort in response to a mandate by Congress as part of the 1983 Social Security Amendments.

remains that a large part of the participation problem seems to be simply a lack of information and understanding by potential participants regarding the nature of SSI and its eligibility provisions. For example, in the "2,000 low-income elderly" survey, only 12 percent of nonparticipants who were eligible for SSI remembered being told about SSI when applying for OASDI benefits, and only 24 percent remembered ever talking to anyone about SSI while they were in a social security office. And when questioned about specific aspects of SSI, only 25 percent of all nonparticipants knew any details about the program.[58]

The most important point is not to condemn SSA for its perhaps inadequate efforts. Rather we must remember that it is extraordinarily difficult—given the diversity of the American population in attitudes, language, education, culture, etc.—to make people aware of both public and private programs designed to help them. The experience with SSI thus far indicates that this is true even when people are in great need and living in poverty.

Another major difference among people eligible for various programs is their attitude toward receiving income and/or services from the government. Some people hold strong negative attitudes with regard to government programs, especially "welfare" programs. In his paper reviewing stigma in income-tested programs, Lee Rainwater concludes:

> To the extent that programs are sharply targeted to the poor and to the extent that poverty is itself highly stigmatized in a society (and this latter is probably inevitable in any society), those programs are likely to end up being stigmatizing. In short, there is a great deal of truth in the slogan "programs for the poor become poor programs." This is inevitable because society's derogation of the poor is the obverse of the value it necessarily places on personal responsibility, and on "incentives" as a way of symbolizing the value placed on personal responsibility for one's own welfare. * * *
>
> There is every reason to believe (although marshaling evidence * * * is difficult) that stigmatization functions quite effectively to reduce the use of income-tested programs.[59]

As we mentioned before, the aged, blind, and disabled poor have been viewed historically as more deserving. Hence, one of the arguments for SSI and SSA administration of SSI was to reduce the effects of stigma on the participation of those eligible. While pretesting SSI information forms, for example, SSA discovered that participants in the existing State public assistance programs "felt that enrollment in welfare programs was a degrading experience."[60]

The evidence currently available indicates that SSI and SSA have achieved some success in reducing the stigma problem but

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[58] The study found that SSI participants also had a low understanding of the program.

[59] Lee Rainwater, "Stigma in Income-Tested Programs." In Irwin Garfinkel, ed. Income-Tested Transfer Programs—The Case For and Against (New York: Academic Press, 1982), pp. 29 and 42.

[60] Menefee, et al., op. cit., p. 10. But see also Thomas Tissue, "Response to Recipiency Under Public Assistance and SSI," Social Security Bulletin 41 (November 1978): 3–15.

that a sizable number of persons still do not participate in SSI because of this issue. The SLIAD survey in 1974 found, for example, that 65 percent of the nonparticipants in SSI would not willingly accept public aid.[61]

The 1979 survey of 2,000 low-income aged investigated this issue more thoroughly. This study found:

—That nonparticipants were more likely than participants to feel embarrassed about getting welfare (36 percent versus 24 percent).

—That nonparticipants were more likely than participants to think of SSI as welfare (30 percent versus 16 percent).

—That 31 percent of nonparticipants (who knew about SSI) said they would be embarrassed if their friends or relatives knew they were receiving SSI benefits.

—That almost all nonparticipants agreed that they would not feel embarrassed if their friends or relatives knew they were receiving social security benefits.

The study concluded that "stigma or negative attitudes toward SSI appears to be a potential barrier for * * * about one-third of nonparticipants."[62]

While we have pointed to knowledge of SSI and attitudes toward "welfare" as key factors explaining nonparticipation in the program, there are no doubt many factors involved, but research thus far has been unable to clearly identify any one of them as having a clear and major impact. Together, however, along with knowledge and stigma, they pose a major challenge in raising participation in SSI to significantly higher levels.

SSI FOR THE FUTURE

In the 1930's when OASI and OAA were initiated, and still in the early 1970's, when SSI was established, Congress was faced with two major challenges regarding the aged:

—The development of policies to help all Americans prepare and provide for their old age at a time when support through employment was increasingly unviable.[63]

—The provision of support for the millions of older people faced with economic destitution in the absence of income from government income maintenance programs.

As we indicated previously, Congress has clearly chosen over the years to emphasize an approach that provides broad and substantial support to the elderly through a nearly universal public pension program.[64] But despite the heavy emphasis placed on OASI,

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[61] Menefee, et al., op. cit., p. 13.

[62] Urban Systems Research and Engineering, op. cit., pp. 139–140.

[63] For a history of the "institutionalization of retirement" in the United States, see James H. Schulz, The Economics of Aging 3rd ed. (Belmont, Calif.: Wadsworth, forthcoming, fall 1984), chapter 1 (or the 2nd edition, pp. 3–5); James H. Schultz, "Private Pensions, Inflation, and Employment," in Herbert Parnes, ed., Policy Issues in Work and Retirement (Kalamazoo, Mich.: W. E. Upjohn Institute for Employment Research, 1983); pp. 241–264; and William Graebner, A History of Retirement (New Haven: Yale University Press, 1980).

[64] I use the word pension rather than insurance to emphasize the similarities rather than the differences between public and private retirement benefit programs. For a similar point of view, which discuses both similarities and differences, see Alan S. Blinder, Private Pensions and Public Pensions: Theory and Fact (Ann Arbor, Mich.: Institute of Public Policy Studies, University of Michigan, 1983).

Federal policy has also recognized the need for supplementation, at the upper end, through private pensions and, at the lower end, through public assistance.

Almost everyone would acknowledge the numerous complexities and problems that have arisen in administering, coordinating, and integrating this multitiered approach. It is not surprising that over the years there have been numerous calls to simplify the system (or, perhaps more appropriately, the nonsystem) by "rationalizing" the various components and/or placing greater emphasis on individual responsibility and private initiatives. But if there is one lesson that we should have learned from our previous debates over welfare reform and income maintenance policies, it is that we are inevitably confronted by a variety of conflicting goals that involves us in an incredibly complicated set of tradeoffs. These conflicting goals and the resulting tradeoffs ultimately make satisfactory implementation of whatever approach chosen quite difficult. Thus, confronted with these realities, Federal action has sought to find a reasonable compromise among the conflicting goals and issues of implementation. This has resulted in a relatively conservative and somewhat inelegant series of outcomes. In contrast, many of the more radical changes proposed to deal with the two challenges posed above are to some extent intellectually more appealing. But history warns that they should be scrutinized very carefully. Experience indicates that appealingly simple cure-alls rarely turn out to work.

Our review of SSI over the past 10 years reveals a program very different from its original conception. Written on the SSI experience, Beryl Radin lists three major lessons to be learned:[65]

(1) That in developing new programs, one should be wary of assertions that such programs will be easy to implement.

(2) That new programs are rarely inexpensive during start-up, requiring extra expenditures in the early periods to help insure satisfactory development.

(3) That new social programs of the Federal Government usually affect, and are affected by, other existing programs (affecting costs, creating complications, and producing inequities).

Now that SSI is well established, the major initiatives talked about in recent years are (a) assimilating SSI into a more general national assistance—and work program for the needy of all ages; (b) elimination of SSI, substituting a universal flat benefit; or (c) greatly expanding the SSI program, with commensurate reduction in the redistributive elements of OASI. Each of these approaches has been widely discussed, and we have already highlighted in the prior sections many of the major issues that arise in connection with them.[66]

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[65] Beryl A. Radin, "Can We Learn from Experience? The Case of SSI," Policy Analysis 2 (Fall 1976): 621.

[66] A more detailed treatment of these topics would require that the nature of this paper be changed and its length greatly expanded. Those interested in these approaches should consult the following writings: A.H. Munnell, The Future of Social Security (Washington, D.C.: The Brookings Institution, 1977); D. Berry, I. Garfinkel, and R. Munts, "Income Testing in Income Support Programs for the Aged." In I. Garfinkel, ed., Income-Tested Transfer Programs—the Case For and Against (New York: Academic Press, 1982), pp. 449–494; R.V. Burkhauser and K.C. Holden, A Challenge to Social Security (New York: Academic Press, 1982); U.S. Congressional Budget Office, The Administration's Welfare Reform Proposal: An Analysis of the Program for Better Jobs and Income (Washington, D.C.: mimeo, April 1978).

Despite a number of major attempts, general welfare reform remains more an aspiration than a likely reality. There are currently over 40 separate income maintenance programs in the United States and little interest in comprehensive reform.

With regard to substituting a universal flat benefit for SSI, there is more interest. When social security was originally designed the possibility of combining a flat pension with an earnings-related one was apparently rejected.[67] This so-called double-decker approach—with a universal, nonmeans-tested benefit paid to everyone and a supplemental benefit based on (and proportional to) earnings—has had numerous advocates in the United States over the years and currently exists in a number of industrialized nations.[68] And today, as Thompson has shown:

> It is possible to design a double-decker system which will shift a significant portion of the current responsibilities of the means-tested SSI program to the nonmeans-tested social security program with only a modest increase in total transfer costs.[69]

But opposition to the double-decker approach has been very strong over the years. It is important to note that the present system is perferred to the double-decker by two very different groups: those who fear that the first part of a double-decker would eventually be means-tested and those who seek to maintain the fiscal discipline and the limiting of benefits through the payroll tax.[70]

Despite their intellectual attractiveness, much more work will have to be done to work out the various political and integration issues raised with regard to the first two options before they are likely to receive serious congressional consideration.[71] The third option—an expanded SSI together with a less redistributive OASI program—is less easily dismissed, given the potential Federal cost reductions embodied in its claims to greater targeting efficiency.

The experience with SSI to date indicates, however, a major problem related to this approach. For a variety of reasons, it is extremely difficult to get large numbers of people to participate in

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[67] Derthick observes: "Their resistance to universal flat pensions was so rigid, and the reasons for it so little articulated in public, that the logical content is hard to summarize." Martha Derthick, Policymaking for Social Security (Washington, D.C.: The Brookings Institution, 1979), p. 218.

[68] Eveline M. Burns, "The American System of Social Security: Agenda for the 1970s." In G. Rohrlich, ed., Social Economics for the 1970's (New York: Dunellen, 1970), pp. 67–82 and Henry Aaron, et al., Supplementary Statement on the Double-Decker Plan. In Advisory Council on Social Security, Report (Washington, D.C.: The Council, 1979), pp. 216–220.

[69] Lawrence H. Thompson, "Discussion." In Irwin Garfinkel, Income-Tested Transfer Programs—the Case For and Against (New York: Academic Press, 1982), pp. 487–493.

[70] See the discussion of this point, for example, in Virginia P. Reno and M.M. Upp, "Social Security and the Family." In Rudolph G. Benner, Taxing the Family (Washington, D.C.: American Enterprise, 1983), pp. 139–164.

[71] At the end of a long and persuasive minority statement advocating a double-decker plan, economists Henry Aaron, Gardner Ackley, Eveline Burns, and Joseph Pechman state: "Admittedly there are a number of issues and technical problems to be resolved in the development of a specific double-decker plan, most notably those relating to benefits for children. Had the council devoted as much time and effort to developing a workable double-decker model as it devoted to earnings sharing, the country would have been in a better position to evaluate the double-decker as a possible desirable future alternative to the present system." (Report of the 1979 Advisory Council on Social Security, p. 229.) See also the paper by J. Habib and R. Lerman, which argues that the two-tier approach is generally less target-efficient in reaching the poor than some alternative approaches: "Options in Income Support for the Aged—a Critique of the Two-Tier Approach," Journal of Public Economics 11 (1979): 159–177.

such programs. Reducing OASI benefits and simultaneously expanding SSI would not mean that those newly eligible would actually receive benefits. Some have argued that stigma, one of the barriers to participation, would be reduced significantly if the majority (or larger number) of the aged received SSI. Yet one must seriously question that outcome in the face of evidence that the many not in such programs, together with those who administer the programs and the recipients themselves, are likely to take a negative, "second-class citizens" view of those in means-tested programs.[72]

Contrast the SSI participation problem with the popularity of OASI throughout the population. Overwhelmingly positive attitudes about social security are revealed in countless opinion polls.[73] In contrast to the negativism of many toward SSI and welfare in general (as reported earlier from the Urban Systems Study), 98 percent of those surveyed agreed that they would not feel embarrassed if their friends or relatives knew they were receiving OASI benefits.[74] Moreover:

> Part of the reason for SSI's better standing appears to be its association with social security. Nonparticipants are more likely to think of SSI as being "like social security" (38 percent) than "like welfare" (30 percent).[75]

There are different assessments of social security's initial years. Some see the history of OASI as a mixed hybrid program evolving through creeping incremental change and criticize the process:

> Both costs and benefits could creep up on the public; as costs and benefits grew gradually, and policymakers would judge the public's response as they went along.[76]

Others see that evolution as the essential nature of the political process, with regard to social security and most other government programs (agriculture, defense, transportation, etc.). Derthick, highly critical of both process and design, summarizes the historical approach to social security that many others are proud to be associated with:

> The confusing mixture of purposes and benefit principles, the widely appealing symbolism of insurance, the low initial cost, the assurance of benefits as a matter of right, immune to debate, all help to explain the popularity of the old age insurance program. In making the choice for a program that based benefits on contributions rather than some other type of program, the executive founders intended to avoid politics as conflict. That was one of their principle reasons for preferring it to other alternatives.[77]

Advocates of the third approach would like to untangle the "confusion" of purposes and change the "symbolism"—shifting most of

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[72] Rainwater, op. cit.
[73] For example, the recent survey by Peter D. Hart Associates, Inc. done for the National Commission on Social Security, A Nationwide Survey of Attitudes Toward Social Security (Washington, D.C.: mimeo, n.d.).
[74] Urban Systems, op. cit., p. 139.
[75] Urban Systems, op. cit., p. 140.
[76] Martha Derthick, op. cit., p. 223.
[77] Derthick, op. cit., p. 227.

the welfare role to SSI. Others think it may be reasonable and sensible to continue following a more incremental policymaking strategy.[78]

Few people today are likely to call for returning our public assitance strategy to what existed in the pre-SSI days. Without doubt, SSI is generally viewed as a step forward. But many would characterize the improvements as modest and urge further changes.

Today, moreover, there is also greater awareness of the need to scrutinize the programmatic balance between social adequacy and equity. But as we pointed out earlier, concern about this matter is not of recent origin. It was there at the beginning of OASI and OAA, and it was one of the major issues considered when SSI was designed and originally legislated over a decade ago.

The social security financing problem that has dominated recent pension discussions has certainly heightened our sensitivity to the tradeoffs that have to be made. Giving greater attention to issues of targeting and equity, however, does not necessarily mean that a major new strategy is optimum.[79] Incremental change may still be appropriate. Thompson points out, for example, that the current benefit structure of social security might be viewed "as representing one particular compromise between the desire, on the one hand, to maintain certain labor supply and savings incentives, reduce administrative costs, reduce stigma and, on the other hand, to restrain total program costs." [80]

Opportunities for improving SSI are many. But regardless of whether one is talking about incremental or major change, what is clearly needed is greater attention to the integration of various income maintenance programs (both public and private). We need to look carefully at their interrelated effects and assess the ultimate total impact. Unfortunately there is a serious dearth of statistics and studies of SSI on this and numeous other questions. This compendium is long overdue but represents only a start.

TWO ILLUSTRATIVE OPTIONS: CHANGING MINIMUMS AND THE ASSET TEST

Other papers in this compendium examine in detail policy options and the programmatic rules and administrative operations that in part determine the program's ultimate impact. To illustrate the points made above regarding incremental adjustments and integration, however, attention is called to two policy proposals: modification of the special OASI minimum benefit and changing the asset tests of means-tested programs.

The National Commission on Social Security recommended in 1981 a modified special minimum benefit as part of a set of incremental changes designed to deal with concerns about the treatment of women under social security. The Commission argued:

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[78] See, for example, Robert J. Myers, "Incremental Change in Social Security Needed to Result in Equal and Fair Treatment of Men and Women." In R. V. Burkhauser and K. C. Holden, A challenge to Social Security (New York: Academic Press, 1982), pp. 235–245.

[79] S. Schieber, Social Security: Perspectives on Preserving the System (Washington, D.C.: Employee Benefit Research Institute, 1982). Schiever, for example, proposes reducing the first OASI fromul "bend point" and having SSI pick up the income needs of low-income individuals.

[80] Lawrence H. Thompson, "The Social Security Reform Debate," Journal of Economic Literature 21 (December 1983): 1453.

> After considering several proposals, the Commission chose a set of incremental reforms to deal with specific concerns about inadequate provisions for women. It prefers this approach because it can be implemented quickly, without a long transition period, and because the resources available to improve the program are limited today and may remain so for some time to come. Under such constraints, the Commission chose to concentrate on the incremental improvements which appeared to be the most urgent. If solutions are found to both the technical and cost problems of the more far-reaching reforms, the incremental changes recommended by the Commission will not stand in the way of major changes in the future.[81]

The Commission recommended that the special minimum benefit for long-term, low-wage workers be changed to allow credit for up to 10 years of child care and that the number of years countable toward the special minimum benefit be increased from 30 to 35 years. It was estimated that the change would increase benefits for about 20 percent of retired women and 5 percent of retired men. Practically all the benefit improvements would go to individuals with fairly long careers at low wages, people whose benefits under present OASI provisions fall short of the poverty threshold.

The proposal illustrates an approach that would reduce the role of SSI but increase the role of OASI in a targeted, and hence limited, way.[82] Some years ago Congress began the phaseout of the regular minimum under OASI, which targets benefits to many of the wrong people and creates serious equity problems. The Commission's approach is entirely different and would help many poor women.

The Commission's special minimum proposal or similar changes in OASI would not eliminate the need for SSI. It is also appropriate to consider ways to improve SSI's operations and effectiveness. In this regard, another National Commission recommendation—elimination of the SSI asset test—illustrates a number of important issues.

Assets can make a difference in the economic circumstances of an individual. But if assets are very important for some groups in the population, it is not at all clear that they are important for most people with little income. Asset tests seem to be set up in conjunction with income-tested programs out of fear of political embarrassment from the rare exceptions. Moreover, historically there seems to be a strong element of punishment associated with these tests. Individuals who need help are required to divest themselves of security, self-respect, and consumption discretion arising out of savings. They are required to enter into a state of pauperization with all its negative aspects. This is done as a punishment for

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[81] National Commission on Social Security, op. cit., pp. 231-232.

[82] Regina O'Grady has examined the impact of the Commission's proposal on older women, comparing it with other approaches. She concludes that "if the primary concern is the most vulnerable women, i.e., those most at risk of being poor, then the special minimum benefit would be the best policy choice." See Caring and Women's OASI Benefits: An Analysis of Proposed Changes in the Social Security Law. A dissertation presented to the Florence Heller School, Brandeis University (Ann Arbor: University Microfilms, 1982).

having to seek help from the rest of society and as a warning (and hence deterrent) to others.

Apart from this philosophical or ideological issue, there is the more practical matter of asset tests in practice. As pointed out by Duskin:

> It is generally the case that resource levels determine program eligibility, but not benefit levels—except to the extent that an asset produces a flow of countable income.[83]

The fact is that tested assets frequently cannot be converted into the consumption expenditures vital to subsistence living. Or individuals are unwilling to utilize them because of the other roles served by savings.[84]

The other reality is the high degree of arbitrariness and variation in the tests. An excellent example of this is the treatment of household goods and personal belongings. The SSI program places a value on these assets and places a $1,500 limit on their value. In contrast, the food stamp program ignores them. Note the comments of the Department of Agriculture: Personal and household goods are almost "universally exempted from means-tested public benefit programs for practical reasons. Basic household and personal possessions are among the necessities of living; it is not reasonable to expect a household to divest itself of clothing or household furnishings. In practice, moreover, the valuation of such items would be a prohibitively expensive and intrusive task." [85]

The SSI overall test level is $1,500 for individuals and $2,250 for couples. The food stamp level was originally set at $1,500 for individuals and $3,000 for households of two or more only if one member was age 60 or older. The asset limit for food stamps was raised from $1,500 to $1,750 in 1977. But in order to restrict eligibility and reduce the cost of the program, the limits were lowered again to $1,500 in 1980. This 1980 deliberalization highlights the major aim of the test. Asset tests are basically mechanisms to keep down costs.[86]

The SSI asset test illustrates many of the challenges facing the program. It directly excludes many needy Americans who desparately need economic help. It indirectly discourages other people from participating because of its punitive nature and stigmatizing aspects. And it greatly complicates the administration of the program. It is these three issues—adequacy, participation, and efficient administration—that dominated the concerns of Congress when it passed SSI and during the chaotic early years. As our review has shown, these issues have not gone away and deserve again the attention of the Congress.

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[83] Betty Duskin, "Asset Tests as a Component of Income Conditioned Programs," paper prepared for the Federal Council on Aging (Washington, D.C.: mimeo, n.d.): 1.

[84] Other roles include: precautionary needs, bequests, overcoming imperfect capital markets, maintaining independence and flexibility, etc. Economists have recently been surprised to find high rates of saving (not dissaving) among the aged, contrary to the life cycle saving/consumption hypothesis.

[85] Food and Nutrition Service, op. cit., p. 8.

[86] Deliberalization removed more than a million participants of all ages from the food stamp program.

Chapter 2

THE SUPPLEMENTAL SECURITY INCOME PROGRAM: TRENDS OF THE FIRST DECADE AND OUTLOOK FOR THE SECOND

(Prepared by Janice Peskin,[1] Budget Analysis Division, Congressional Budget Office)

SUMMARY

Since 1974, the Federal Government and the States have provided cash assistance to low-income aged, blind, and otherwise disabled individuals under the supplemental security income (SSI) program. Now SSI is entering its second decade. How has the program evolved over its first 10 years? And will the decade ahead mirror the one just ended? A review of past trends can be useful in forecasting future SSI benefits, numbers of beneficiaries, and associated Federal outlays in the coming decade.

The CBO's analysis points to several major findings:

—Benefits and outlays under the Federal SSI program have grown steadily since the programs's inception. For example, individual basic monthly benefits increased from $140 in January 1974 to $314 in January 1984. Until recently, this growth was in nominal—not real—dollars. Almost exclusively, it reflected annual cost-of-living increases. Not until 1983 were benefits increased by more than the change in the cost of living—by $20 a month for individuals and $30 a month for couples.

—Numbers of Federal SSI beneficiaries, in contrast, have actually declined slightly since 1976, when the program stabilized. Moreover, aged beneficiaries have declined in number by about one-third, largely because of greater social security coverage and rising social security benefits while disabled beneficiaries have become more numerous. In 1976, aged and disabled (including blind) beneficiaries each accounted for about half of all beneficiaries; by 1983, the aged accounted for only 38 percent of all beneficiaries and the disabled for 62 percent.

—Trends in SSI during the next decade should resemble those during the past decade.

—Aged beneficiaries will continue to decline in number and disabled beneficiaries to rise, so that, by 1995, SSI will be largely a program for the disabled. The aged will account for only 21 percent of all beneficiaries and 13 percent of all benefit pay-

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[1] Anne Manley assisted in the data development; Peter Taylor provided forecasts of the Consumer Price Index; and Charles Seagrave, Nancy M. Gordon, and Dorothy Amey gave helpful comments. The manuscript was edited by Johanna Zacharias and prepared for publication by Gwen Coleman.

ments. Disabled beneficiaries could increase in number more rapidly in the years ahead, because the post-World War II "baby boom" generation is moving into middle age, when the incidence of disability rises.

—Benefit and outlay levels will depend primarily on inflation and resulting cost-of-living adjustments (COLA's). By 1995, assuming no legislative changes, Federal outlays might range from $12 billion to $20 billion, depending on whether inflation rates are low or high.

—The next decade could be quite different from the past decade in one respect. In some years, COLA's might be zero, resulting in temporary real benefit decreases. The COLA is triggered only when increases in the Consumer Price Index (CPI) accumulate to at least 3 percent. And there does seem to a possibility that CPI increases might be less than 3 percent in at least some years.

PAST TRENDS

Federal outlays for supplemental security income (SSI) have risen steadily since the program inception in 1974—from $5.1 billion in fiscal year 1976 to $8.7 billion in 1983 (see table 1).[2] (This paper considers trends only since 1976, when the program had stabilized after an initial period of growth.) Before 1974, assistance to the aged and disabled was provided by State and local governments with cost-sharing by the Federal Government.

TABLE 1.—PROFILE OF THE FEDERAL SSI PROGRAM, 1976–83

	Outlays (In billions of dollars)	Millions of beneficiaries (As of March)	Average March benefit amount (In dollars)
1976	5.1	3.9	96
1977	[1] 5.3	3.8	102
1978	5.9	3.8	108
1979	[1] 5.5	3.9	112
1980	6.4	3.7	125
1981	6.4	3.7	144
1982	7.7	3.6	162
1983	[1] 8.7	3.5	177

[1] Outlays in 1977 and 1983 include 13 months of benefit payments; outlays in 1979 include 11 months.

Growth in Federal SSI outlays depends largely on two factors: changes in numbers of beneficiaries and increases in average benefit amounts per beneficiary.[3] Since 1976, number of SSI beneficiaries have declined moderately, after rising sharply in 1974 and 1975 as the program got under way. In contrast, average benefits have risen considerably each year in nominal terms, accounting for the program's growth. Trends in numbers of beneficiaries and average benefit amounts are reviewed below.

[2] This paper deals only with the Federal SSI program. All but six States also provide some form of optional supplements, and in November 1983, States' supplementary payments totaled $148 million, or 22 percent of Federal payments.

[3] Total Federal outlays also include outlays associated with costs other than benefits, primarily program administration. These outlays have grown over time at a somewhat slower rate than benefit payments. In 1983, administrative costs came to $0.8 billion, or 95 percent of all nonbenefit outlays.

Shifts in the Beneficiary Population

While the total SSI beneficiary population declined only slightly during the past decade, the portions of that population made up by aged versus disabled (including blind) persons changed more sharply.[4] Aged beneficiaries (that is, persons aged 65 or older) declined in number from 2 million in 1976 to 1.3 million in 1983; numbers of disabled beneficiaries rose from 1.9 million to 2.2 million over the same period (see table 2). In 1976, aged beneficiaries made up 51 percent of all Federal SSI beneficiaries, but by 1983, they accounted for only 38 percent. Simultaneously, the proportion of disabled beneficiaries rose from 49 percent to 62 percent.

TABLE 2.—COMPOSITION OF THE FEDERAL SSI POPULATION, 1976–83

[Numbers in millions of March each year]

	Aged beneficiaries		Disabled beneficiaries [1]	
	Numbers	Percent of total	Numbers	Percent of total
1976	2.0	51.2	1.9	48.8
1977	1.8	48.5	2.0	51.5
1978	1.8	46.2	2.0	53.8
1979	1.7	43.6	2.2	56.4
1980	1.6	43.4	2.1	56.6
1981	1.5	41.1	2.2	58.9
1982	1.4	39.4	2.2	60.6
1983	1.3	37.9	2.2	62.1

[1] Includes blind.

What has caused this rather startling shift? One must look first to the eligibility criteria for SSI.

Individuals qualify for SSI because they are aged or disabled (or both), and because their incomes and assets fall below the maximum levels allowed in the program. Given these eligibility requirements, four major factors determined changing beneficiary levels:

—Demographics: the numbers of aged and disabled in the U.S. population.
—Incomes: the financial resources of the aged and disabled.
—Participation rates: the extent to which persons eligible for benefits actually receive them; and
—Legislation: changes made by the Congress that alter eligibility for, or receipt of, benefits.

DEMOGRAPHICS

The U.S. population aged 65 and older increased moderately during the last decade. Because aged SSI beneficiaries were declining in number at the same time, the percent of the aged population receiving SSI dropped significantly—from 8.1 percent in 1976 to 4.6 percent in 1983 (see table 3).

[4] Aged beneficiaries who qualified as disabled are included in the disabled category; at the end of 1982, about 20 percent of disabled SSI recipients were aged.

TABLE 3.—FEDERAL SSI BENEFICIARIES AS PERCENTAGES OF THE U.S. POPULATION, SELECTED YEARS 1976–83

	U.S. population (In millions)	Percent of population receiving SSI benefits
Aged:		
1976	23.9	8.1
1980	26.3	6.0
1983	28.2	4.6
Disabled [1]—Relative to total population:		
1976	226.8	0.8
1980	236.4	0.9
1983	243.3	0.9

[1] Includes blind.

Note.—The population estimates are for the Social Security area population, which includes the U.S. population adjusted for Census undercount, population in the territories, and servicemen abroad. Estimates, from the Social Security Administration actuaries, are for July 1 of each year using Alternative II assumptions.

Measuring numbers of disabled in the population is a far more complex task than measuring numbers of aged. Moreover, because the disability criteria for SSI are both complicated and strict, no estimates of the disabled population eligible for SSI over time are available.[5] Mortality rates—obviously measurable—have declined over time, but their meaning is difficult to interpret. Lower mortality rates might imply declining morbidity (illness) and disability, but they need not. They might also mean rising disability rates: some persons who might have died in earlier years now live, but with continuing disabilities.

Available data on changes in health status during the 1970's indicate rising disability rates. According to one study, numbers of persons permanently limited in their activities for health reasons increased 37 percent between 1966 and 1976, compared to only a 10-percent increase in the U.S. population; those most severely limited increased in number by 83 percent.[6] Another study reported an increase in the percentage of men over the age of 50 unable to work because of health problems.[7]

A changing age profile of the U.S. population in general may be one cause of changing disability rates over time. Work disability rates of both men and women have been shown to rise rapidly with age for persons older than 50.[8] Also, the disabled who are aged 50 or older account for almost three-fifths of all disabled adult SSI beneficiaries. Because of this clear correlation between age and disability, numbers of disabled SSI beneficiaries should be sensitive to the age distribution of the population. And as that age distribution changes—for example with the aging of the post-World War II "baby boom" generation—numbers of disabled SSI beneficiaries

[5] SSI disability generally requires that the individual be unable to engage in "substantial gainful activity" because of a physical or mental impairment expected to result in death or to continue for at least 12 consecutive months.

[6] See Alain Colvez and Madeleine Blanchet, "Disability Trends in the United States Population 1966–76: Analysis of Reported Causes, "American Journal Public Health," Vol. 71, No. 5 (May 1981), pp. 464–471.

[7] See Jacob J. Feldman, "Work Ability of the Aged Under Conditions of Improving Mortality," Milbank Memorial Fund Quarterly/Health and Society, Vol. 61, No. 3 (1983), pp. 430–444.

[8] See Feldman, "Work Ability."

could grow significantly.[9] At the same time, disabled children have been one of the most rapidly growing groups of SSI beneficiaries, rising in number from 128,000 in December 1975 to 229,000 in December 1982—an increase of almost 80 percent.

Notwithstanding these patterns, the disabled SSI beneficiary population has remained a quite stable percent of the total U.S. population (see table 3). After rising slightly in the late 1970's and reaching a peak of 0.92 percent in 1979, the percent has remained fairly stable in the last few years. Because rising incomes among the population would imply a decline in the percent (as discussed below), the stability in the percent of the population receiving SSI disability benefits might imply growing numbers of disabled in the population.

INCOMES

As in any means-tested entitlement program, an SSI participant's income and resources must be below specified limits. Income may be no higher than the basic benefit plus excluded income. The main exclusions are $20 a month of earned or unearned income and an additional $65 a month plus one-half of the remainder of earned income. At no time may countable resources (assets) be higher than $1,500 for an individual or $2,250 for a couple. Not included in the tally are the value of a home, a car used for employment or medical treatment, life insurance with a face value of $1,500 or less, burial plots and funds, and households goods or personal effects with an equity value of less than $2,000.

The basic benefit is increased each year by a cost-of-living adjustment (COLA). Thus, it remains essentially constant in real terms. In contrast, the $20 and $65 monthly income exclusions and the resource limit have not been changed since the program's beginning. Both of the latter have thus decreased sharply in real terms, and they have been partially responsible for the decline in numbers of aged SSI beneficiaries.

Eligibility for SSI will change over time, as incomes of the aged and disabled rise more or less rapidly than the basic SSI benefit (plus exclusions). For low-income aged and disabled people, social security is the most important source of income. SSI beneficiaries, in fact, have few other income sources: fewer than 4 percent have any earned income, and fewer than 11 percent have "unearned" income other than social security. Yet, about 70 percent of aged SSI beneficiaries and 35 percent of disabled beneficiaries receive social security. So trends in social security benefits are critical in understanding eligiblility for SSI and in particular, declining numbers of aged SSI beneficiaries.

Over time, more of the aged have qualified for social security worker benefits (see table 4). For men, whose coverage in 1970 was already 89 percent, the rise has been moderate. But for women, it has been dramatic, rising from 44 percent in 1970 to 56 percent in 1983—attributable at least partly to their increased labor force participation rates. Women—who now account for almost 75 percent of

[9] The "baby boom" cohort encompasses persons born in the years 1946 through 1964. See Louise B. Russell, The Baby Boom Generation and the Economy, the Brookings Institution (1982).

all aged SSI beneficiaries—also qualify for social security benefit as wives and widows, even if they have no paid work histories of their own.

TABLE 4.—PERSONS AGED 65 AND OLDER ELIGIBLE FOR SOCIAL SECURITY RETIRED WORKER BENEFITS AS A PERCENT OF ALL PERSONS AGED 65 AND OLDER, SELECTED YEARS 1970–83

	Men	Women	Total
1970	89.3	43.7	62.6
1975	91.5	50.4	67.1
1980	92.5	54.4	69.7
1983	92.1	56.1	70.5

Note.—Based on workers aged 65 and older eligible for retired-worker benefits (U.S. Department of Health and Human Services, Social Security Bulletin, Annual Statistical Supplement, 1982, Table 32, p. 89) and estimates of the population aged 65 and older by the Social Security Administration (see note to Table 3).

Social security benefit amounts have also risen, both because benefits are indexed (in exactly the same manner as SSI), and because wages—the base of social security benefit amounts—have increased. Men's average monthly social security benefits rose from $228 in 1975 to $380 in 1980, an increase of 67 percent. For women workers, the rise was from $182 in 1975 to $297 in 1980, an increase of 63 percent; for widows, the rise was from $194 to $312, an increase of 61 percent. Each rose considerably more than SSI's basic benefit. Moreover, the percent of social security enrollees receiving average monthly benefits less than the SSI basic benefit has declined somewhat, as shown in table 5. These trends in social security—rising coverage and increasing real average benefits—probably explain much of the decline in numbers of SSI aged beneficiaries.

TABLE 5.—PERCENT OF SOCIAL SECURITY BENEFICIARIES RECEIVING AVERAGE MONTHLY SOCIAL SECURITY BENEFITS LESS THAN THE SSI BASIC BENEFIT, 1975 AND 1980

	Male workers	Female workers	Widows (Nondisabled)
1975	20	44	30
1980	16	37	24

Note.—Based on estimated numbers of Social Security beneficiaries with average monthly benefits below $157.70 in 1975 and $238.00 in 1980. Data on average monthly benefits are from U.S. Department of Health and Human Services, Social Security Bulletin, Annual Statistical Supplements 1975 (Tables 87 and 108, pp. 123 and 137) and 1982 (Tables 72 and 100, pp. 139 and 167).

Less is known about the overall financial resource levels of the SSI population than about income levels—particularly about how they may change over time. But families with greater incomes tend to have greater resources in general, so that, as incomes have risen in the United States over time, resources may also have risen. If they have, SSI's fixed resource limit will have made fewer families eligible as time passed. Among the aged, the percent of applications denied because of excess resources has risen—from 32 percent in 1979 to 39 percent in 1982. Among the disabled, however, it has fallen—from 8 percent to 5 percent over the same span.

PARTICIPATION

In SSI, participation rates—the percentage of eligible persons actually receiving benefits—have always been relatively low. Thus, any major change in participation rates could affect SSI outlays significantly. Unfortunately, estimates of participation rates have been scarce.

One study has estimated participation rates of 55 percent for the aged and 54 percent for the disabled in 1974.[10] Another study has estimated a participation rate of between 54 percent and 61 percent for the aged in 1979.[11] Because estimated rates for the aged in the first study may have been biased upward, participation rates for the aged may have risen some during the 1970's. This rise was probably not large, however, in light of the decline in aged SSI beneficiaries over the same period.

Both studies identify similar causes of nonparticipation among eligible persons. First, eligible nonparticipants are financially better off than participants. Second, they have less experience with government assistance programs, and they may be more concerned about a social stigma they associate with public assistance. Finally, many nonparticipants seem to be unaware of the availability of SSI and/or of their own eligibility. Only this final cause seems amenable to much change over the short run or subject to influence by program administrators.

LEGISLATION

Though SSI has undergone many legislative changes since its inception, few have had more than a minor impact on the program. Two legislative changes have had major impacts, however: providing automatic COLA's and raising benefit levels.[12] On August 7, 1974, shortly after the start of the SSI program, the Congress enacted legislation providing for automatic cost-of-living increases in SSI benefit levels (Public Law 93–368). As a result of this law, SSI benefit amounts are adjusted annually if the past year's change in the Consumer Price Index (CPI) equals or exceeds 3 percent. Without this legislation or some other significant ad hoc increase in benefit levels, real benefits would have declined sharply over SSI's first decade, and fewer persons would have qualified for program benefits.

Then, in enacting the Social Security Amendments of 1983 (Public Law 98–21), Congress effected monthly increases in SSI basic benefits of $20 for individuals and $30 for couples. These increases have improved the adequacy of SSI benefits, though Federal benefits are still below the annual poverty threshold, which for a single person was $4,630 in 1982 and is estimated to be $5,000 in 1984. (For some persons in some States, Federal plus State SSI benefits provide income above the poverty threshold.) Individuals' Federal basic benefits, which were 71 percent of the poverty threshold in 1982, will rise to about 75 percent of poverty in 1984. For cou-

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[10] See John A. Menefee, Bea Edwards, and Sylvester J. Schieber, "Analysis of Nonparticipation in the SSI Program," Social Security Bulletin, Vol. 44, No. 6 (June 1981), pp. 3–21.

[11] See Urban Systems Research and Engineering, Inc., SSI Aged: A Pilot Study of Eligibility and Participation in the Supplemental Security Income Program (September 1981).

[12] For more details, see John Trout and David R. Mattson, "A 10-Year Review of the Supplemental Security Income Program," Social Security Bulletin, Vol. 47, No. 1 (January 1984), pp. 3–24.

ples, Federal benefits will rise from 85 percent of the 1982 poverty threshold to about 90 percent in 1984. This provision is estimated to add about 300,000 new beneficiaries and $855 million to SSI outlays in 1985; by 1989, it will add $1.05 billion because of the compounding effect of COLA's on top of increased benefits.

The Social Security Amendments included two other changes in SSI. Until 1984, the COLA was given in July and was based on first-quarter-over-first-quarter changes in the CPI for urban wage earners and clerical workers. Now, the COLA is given in January, based on third-quarter-over-third-quarter CPI changes. CBO estimates savings for the 6-month COLA delay at $140 million in 1984 and $200 million in 1989. Also, the Social Security Administration (SSA) must now send a one-time notice to low-income elderly beneficiaries under the old age and survivors insurance and disability insurance (OASDI) programs of their potential eligibility for SSI; the SSA must also include such notices regularly when informing OASDI beneficiaries of upcoming eligibility for supplementary medical insurance. How these notifications might raise participation rates is not yet known, but CBO estimates added beneficiaries at 75,000 and added SSI costs at $90 million a year.

Changes in Average Benefits

Federal outlays for SSI depend not only on numbers of beneficiaries but also on average benefit amounts. Average benefits in turn depend on SSI's basic benefit, which is increased each year by the COLA, and on beneficiaries' other income. During most of SSI's first decade, average benefits rose in step with the COLA's.

Since 1976, the basic benefit has risen from $157.70 a month to $314 for individuals and from $236.60 to $472 for couples (see table 6). COLA's accounted for all of the increase until the individuals' $20 and couples' $30 increases legislated in 1983. During the March 1976 through 1983 period, COLA's totaled 69.7 percent, as shown in table 6. Concurrently, average benefits increased somewhat more—by 76.7 percent. The slightly larger increase in average benefits compared to the COLA increase is attributable primarily to the rise in disabled relative to aged beneficiaries.

TABLE 6.—FEDERAL MONTHLY BENEFIT LEVELS IN SSI, 1976–84

[As of March each year]

	Basic benefit		COLA	Average benefit	
	Individuals	Couples		Amount	Percent change
1976	$157.70	$236.60	8.0	$96	12.4
1977	167.80	251.80	6.4	102	6.3
1978	177.80	266.70	6.0	108	5.9
1979	189.40	284.10	6.5	112	3.1
1980	208.20	312.30	9.9	125	12.0
1981	238.00	357.00	14.3	144	14.9
1982	264.70	397.00	11.2	162	12.8
1983	284.30	426.40	7.4	177	9.3
1984	314.00	472.00	3.5	NA	NA
1976–83			69.7		76.7

NA. Not available.

Note.—Data for 1984 reflect SSI changes included in the Social Security Amendments of 1983. Also, beginning in January 1984, the basic benefit is rounded down to the next lowest whole dollar.

Disabled beneficiaries have higher monthly SSI benefits than do aged beneficiaries, because fewer of the former receive social security benefits that partially offset SSI payments. As shown in table 7, average benefits of the disabled were $208 in March 1983, compared to $127 for the aged. Over the 1976–83 period, average benefits of the disabled rose slightly more than the COLA's—73.5 percent, compared to 69.7 percent for the COLA's. For the aged, average benefits rose only 60.6 percent, somewhat less than the COLA's. Thus, until the increase legislated in July 1983, real benefits of the disabled changed little, falling slightly in the late 1970's and rising slightly in the early 1980's. For the aged, real benefits fell—primarily in the late 1970's—reinforcing the evidence that non-SSI incomes of the aged have been rising.

TABLE 7.—AVERAGE FEDERAL SSI BENEFITS TO AGED AND DISABLED BENEFICIARIES, 1976–83

[As of March each year]

	Aged			Disabled		
	Nominal benefits	Real benefits [1]	Nominal percent change	Nominal benefits	Real benefits [1]	Nominal percent change
1976	$76	.....	6.1	$117	.....	13.1
1977	79	$79	4.5	124	$124	6.2
1978	82	78	4.1	131	123	5.2
1979	84	74	1.5	135	120	3.2
1980	94	76	12.3	148	120	10.0
1981	107	75	13.9	170	120	14.3
1982	119	75	10.9	191	121	12.4
1983	127	75	7.3	208	123	9.1
1976–83	.....	.....	60.6	.....	.....	73.5

[1] Nominal benefits deflated by SSI COLA's using 1977 as the base year.

FUTURE TRENDS

Will the SSI program's trends in the decade ahead resemble those in its first decade? In exploring this question, this section presents and analyzes forecasts of numbers of beneficiaries, basic and average benefit amounts, and associated Federal outlays to 1995, assuming that current legislation remains unchanged.

The Beneficiary Population by 1995

Future trends in SSI beneficiaries during the remainder of this century should resemble those of the past decade. In only one area does the future seem likely to differ importantly from the past: the population aged 45 to 64—people who are more likely to become disabled than other age groups—will be rising more rapidly than before. Nonetheless, trends in beneficiaries should continue largely

unchanged: aged enrollments will drop sharply while blind and disabled beneficiaries will increase in number.[13]

Aged beneficiaries are projected to decline in number from 1.3 million at present to 0.7 million by 1995, as shown in table 8. Blind and disabled beneficiaries are projected to increase in number from 2.2 million to 2.7 million. In total, SSI enrollments would decline by 0.1 million. By 1995, the aged would account for only 21 percent of all SSI beneficiaries, compared to today's 38 percent.

TABLE 8.—ACTUAL AND PROJECTED AVERAGE MONTHLY NUMBERS OF FEDERAL SSI BENEFICIARIES, SELECTED FISCAL YEARS 1983–95

[In millions]

	Aged	Disabled [1]	Total
1983 (actual)	1.3	2.2	3.5
1985 [2]	1.4	2.3	3.7
1990	1.0	2.5	3.5
1995	0.7	2.7	3.4

[1] Includes blind.
[2] The increase from 1983 to 1985 reflects an anticipated increase of about 0.3 million in numbers of beneficiaries resulting from the 1983 Social Security Amendments changes.

How certain are these forecasts? The answer has to be: More certain than most such forecasts (barring any legislative changes). Actual numbers of SSI beneficiaries in 1995 will probably not differ from these forecasts by more than 0.2 to 0.3 million. Nonetheless, there are several areas of uncertainty, particularly as regards the disabled.

Neither participation rates among the aged nor their patterns of rising incomes are likely to change markedly from the present, although there may well be some lower bound to decreases in aged persons receiving SSI. Demographic patterns for the total aged population will show little change from the past decade's (see table 9); not until the next century will the numbers of aged rise sharply.

TABLE 9.—ACTUAL AND PROJECTED U.S. POPULATION AGED 45 AND OVER, SELECTED YEARS 1975–95

[As of July 1]

	Aged 45–64			Aged 65 and over		
	Number [1]	Increase [1]	Percent change	Number [1]	Increase	Percent change
1975 (actual)	45.3			23.3		
1985	46.1	0.8	1.8	29.4	6.1	26.2
1995	54.4	8.3	18.0	35.1	5.7	19.4

[1] In millions.
Note.—The 1975 actual and forecasts are from the Social Security Administration (see note to Table 3).

[13] The forecasts presented here were developed using primarily extrapolations based on ratios of SSI aged or disabled beneficiaries to population by age and rough extrapolations based on changes in the number of beneficiaries in the recent past. Two other techniques were used—autoregressive integrated moving-average (ARIMA) models and regressions of first differences of the dependent variables on time—but their usefulness is limited by the short period of time the program has existed. Forecasts using all four techniques are within a range of 0.3 million total beneficiaries in 1995.

Demographic patterns do not show larger increases in the disability-prone population (those aged 45 to 64) than in the recent past. Though this group will increase by only about 0.8 million from 1975 to 1985, it is projected to increase by 8.3 million from 1985 to 1995, as the baby boom generation ages (see table 9). In addition to uncertainty about how much effect this changing age structure will have on SSI, uncertainty exists about changing disability rates in the population at large. As noted in the "Past Trends" section of this chapter, disability rates appear to have risen recently. Whether they will continue to rise—or perhaps fall—is not clear and will depend partly on future changes in mortality rates, medical care, and even lifestyles (particularly with regard to diet, exercise, and stress management).[14]

Another source of uncertainty is the impact of the 1983 Social Security Act on numbers of SSI beneficiaries. Two provisions of the act—the increase in basic SSI monthly benefits and the newly required notification of social security and medicare beneficiaries of their potential eligibility for SSI—should increase numbers of SSI beneficiaries. The CBO estimates assume an increase of 0.3 million SSI beneficiaries. If the increase is much larger or somewhat smaller, numbers of beneficiaries in 1995 could differ significantly from the forecasts considered here.

Average Benefits by 1995

The driving force in how average benefits increase over time is the COLA's. In real terms, average benefits have not changed much in recent years, and in this forecast they are assumed to remain constant. Average benefits are projected under three different COLA assumptions.

—CBO baseline: These COLA's through 1989 are assumed by CBO in its projections of federal outlays.[15] The COLA's beyond 1989 are consistent with the baseline assumptions.

—Low inflation: These COLA's through 1989 are based on an alternative, low-growth set of CBO economic assumptions.[16] The COLA's beyond 1989 are consistent with the low-growth and low-inflation assumptions.

—High inflation: Beginning in 1986, these COLA's are set equal to actual average COLA's in SSI during its first decade.

In CBO's baseline assmptions, COLA's range from 4.5 percent to 4.9 percent through 1989 (see table 10). During most the 1990–95 period, COLA's are 4.3 percent. In the low-inflation assumptions, COLA's decline during the late 1980's, and beginning in 1989, fluctuate between zero and 4 percent. (As noted earlier, the CPI increase must accumulate to at least 3 percent for the social security and SSI COLA to be granted.) The low-inflation assumptions incorporate CPI increases of about 2 percent a year beginning in 1989, resulting in a zero COLA 1 year, followed by a 4-percent COLA the

[14] See Feldman, "Work Ability," and Colvez and Blanchet, "Disability Trends."

[15] See Congressional Budget Office, Baseline Budget Projections for Fiscal Years 1985–1989 (February 1984).

[16] Ibid.

next year when the CPI increase has accumulated over 2 years. In the final assumptions—high-inflation—annual adjustments beginning in 1986 are 8.1 percent in each year, which was the average COLA in SSI over the 1975–84 period.[17] In all likelihood, the low- and high-COLA assumptions will bound the actual COLA's: increases in the CPI have been well above 2 percent since 1965 and today's CPI increases are well below those prevailing as SSI's first decade began.

TABLE 10.—PROJECTIONS OF THREE ASSUMED SSI COLAS, 1984–95

[In percent]

	Low inflation	CBO baseline	High inflation
1984 (actual)	3.5	3.5	3.5
1985	4.7	4.7	4.7
1986	4.8	4.9	8.1
1987	4.5	4.9	8.1
1988	3.0	4.7	8.1
1989	0	4.5	8.1
1990	3.9	4.2	8.1
1991	0	4.3	8.1
1992	4.0	4.3	8.1
1993	0	4.3	8.1
1994	4.0	4.3	8.1
1995	0	4.3	8.1

Federal benefits in SSI are very different under the three COLA assumptions, as shown in table 11. The basic SSI monthly benefit would increase from $314 to $510 by 1995 under the baseline assumptions—a 62-percent rise. Under the low- and high-COLA assumptions, the basic benefit would increase to $418 and $718, respectively. Trends in average monthly benefits parallel those in basic benefits. Under the baseline assumptions, average monthly benefits of the aged would increase from $130 to $230 by 1995 and of the disabled from $208 to $365. Average benefits under the high-COLA assumptions would be almost 70 percent above those under the low-COLA assumptions by 1995. These benefit increases under all three paths are in nominal—not real—terms.

TABLE 11.—FORECASTS OF FEDERAL SSI MONTHLY BENEFITS WITH THREE COLAS, SELECTED YEARS 1983–95

[In dollars]

	Individual basic benefit	Average benefit [1]	
		Aged	Disabled [2]
Low COLA's:			
1983–84 (actual)	[3] 314	[4] 130	[4] 208
1985	329	148	235
1990	386	174	277
1995	418	191	303
Baseline COLA's:			
1983–84 (actual)	[3]314	[4] 130	[4] 208

[17] Actual experience during the past decade provides COLA's that are several percentage points above CBO's high-growth projections.

TABLE 11.—FORECASTS OF FEDERAL SSI MONTHLY BENEFITS WITH THREE COLAS, SELECTED YEARS 1983–95—Continued

[In dollars]

	Individual basic benefit	Average benefit [1]	
		Aged	Disabled [2]
1985	329	148	235
1990	413	187	296
1995	510	230	365
High COLA's:			
1983–84 (actual)	[3] 314	[4] 130	[4] 208
1985	329	148	235
1990	486	217	345
1995	718	321	510

[1] Average monthly benefits for fiscal year.
[2] Includes blind.
[3] Effective beginning January 1, 1984.
[4] Average monthly benefits for fiscal year 1983.

Outlays by 1995

Federal SSI outlays in 1995 will be higher than they are today. How much higher depends on future inflation in the United States and the size of any resulting COLA's.

Under CBO's baseline assumptions, outlays would increase from $8.7 billion in 1983 to $14.5 billion in 1995—a rise of two-thirds (see table 12). Under the low-COLA assumptions, outlays in 1995 would be $12.2 billion, a rise of about two-fifths over the 1983 level. Under the high-COLA assumptions, outlays—at $20 billion—would be more than two times greater. Outlays under the high-COLA assumptions would be two-thirds above those under the low-COLA assumptions, illustrating the critical effect of COLA's on outlays.

TABLE 12.—ACTUAL AND PROJECTED FEDERAL SSI OUTLAYS WITH THREE ASSUMED COLAS, 1983–95

[In billions of dollars]

	Low COLA's	Baseline COLA's	High COLA's
1983 (actual) [2]	8.7	8.7	8.7
1984 [2]	8.4	8.4	8.4
1985	9.3	9.3	9.3
1986	9.7	9.7	10.0
1987	10.2	10.2	10.7
1988 [2]	11.4	11.5	12.4
1989	10.7	11.3	12.6
1990 [1]	10.1	10.8	12.6
1991	11.1	12.2	14.6
1992	11.5	12.8	15.8
1993	11.6	13.3	17.1
1994 [2]	13.1	15.0	19.5
1995	12.2	14.5	20.0

[1] Estimated outlays through 1989 are those in CBO's latest baseline.
[2] 1984 and 1990 include only 11 months of benefit payments; 1983, 1988, and 1994 include 13 months.

The projected increases in outlays are only nominal. In real terms, SSI outlays will remain essentially constant. Numbers of beneficiaries are projected to decline slightly, reducing real outlays.

On the other hand, a projected rise in numbers of disabled beneficiaries relative to aged beneficiaries increases real program outlays, because average benefits of the disabled are higher (their non-SSI incomes are lower). These two trends are more or less offsetting.

Barring any legislative changes, these forecasts indicate that most SSI program trends over the coming decade will resemble those over its first ten years. Aged beneficiaries will decline in number while disabled beneficiaries will rise, turning the program into one primarily for the disabled. Benefits in nominal terms will increase, by amounts depending on the COLA's. But in real terms, they will remain constant. The possibility that COLA's may be zero in some years—if CPI increases fall below 3 percent a year—is a departure from the pattern of the previous decade, which was characterized by persistently high inflation rates. If realized, curbed inflation would mean temporarily decreasing real benefits for SSI beneficiaries and a widening gap between their incomes and poverty thresholds for periods of more than a year.

Chapter 3

REHABILITATING THE SSI RECIPIENT—OVERCOMING DISINCENTIVES TO EMPLOYMENT OF SEVERELY DISABLED PERSONS

(Prepared by John H. Noble, Jr.,[1] Ph.D., Associate Commissioner, Virginia Department of Mental Health and Mental Retardation)

INTRODUCTION

This analysis was prepared in response to Senator John Heinz's request on December 15, 1983, for a critical review of "the complex network of relationships between participation in the supplemental security income program (SSI), medical coverage, rehabilitation, and gainful employment." The analysis was to address two basic questions. First, how is the individual beneficiary affected by administrative or institutional arrangements, and what are the psychological, economic, or informational barriers to engaging in productive employment? Second, what are the appropriate policy alternatives for the future?

More specifically, the following topics were to be covered:

—A review of the provisions of the Social Security Disability Amendments of 1980 pertaining to work disincentives in SSI, and an evaluation of their implementation to date, and their longer term significance.

—An analysis of the implications of the reimbursement provisions of the Omnibus Budget Reconciliation Act of 1981 upon the delivery of rehabilitative services to SSI beneficiaries; and

—A review of innovative rehabilitation techniques, including transitional employment, and a suggestion of what role they might occupy in the future of SSI.

The case of Wendy P. is presented here as a concrete example of the nature of the problems which severely disabled persons seeking gainful employment encounter everyday in connection with the SSI and medicaid programs. Her case will be used in the analysis to illustrate how certain statutory and/or regulatory provisions impact on affected individuals, as well as to show the implications of some of the statistics which will be reported.

Wendy P. is a developmentally disabled person in her late twenties who has been disabled from birth. She is intelligent, articulate, and very motivated. If she were not confined to a wheelchair with need for attendant care to function, Wendy P. would undoubtedly hold a responsible position paying an above-average salary. Instead,

[1] The views expressed in this chapter are those of the author and should not be construed as necessarily representing the official view or policies of the author's employer.

she received a token SSI payment and lives in a medicaid intermediate care facility (ICF) in a metropolitan area of Virginia.

Within the past 2 years, Wendy P. turned down a job paying $25,000 after agonizing over the consequences of accepting it. She approached several people whom she knew in the social service community for advice, and was counseled to be extremely careful in her decision, since none of her contacts could predict how the Social Security Administration would react. At stake was her very means of survival, and she feared direct approach to the Social Security Administration for information. Indeed, the people she talked to advised against contacting the Social Security Administration in view of widespread knowledge of the hard line which the Social Security Administration was taking in its continuing disability investigations.

Wendy P. would have welcomed paying as much as two-thirds of her salary for the services she was receiving at taxpayer expense, but could not risk losing her medicaid health care coverage in the event that she became too ill to funciton in the $25,000 job. She was also uncertain about whether the $25,000 would cover the total cost of living in a nursing home, securing an attendant to assist her to function each day from wake up to bedtime, transportation to and from work, repairs to her motorized wheelchair, taxes on wages, etc. Wendy P. expresses considerable frustration with the system which prevents her from actualizing her human potential, forcing her to accept second-class citizenship because of her disability. While her high intelligence and ability to perform work paying somewhat higher than the average wage may not be typical of most persons receiving SSI, Wendy P.'s situation is not unique.

What can we conclude from the case of Wendy P.? We can conclude the following:

—Whatever was the benign intent of the Social Security Disability Amendments of 1980, even intelligent, articulate, and motivated SSI recipients like Wendy P. have become more fearful than before of taking a chance when the opportunity for gainful employment presents itself.

—The social service community has grown so defensive and distrustful of the motivations of the Social Security Administration that it will counsel SSI recipients to take no risks when their basic security it at stake.

—Federal policy directed to rehabilitating SSI recipients and reducing the public costs of disability through vocational rehabilitation has been severely shaken.

—Any short-term budget savings that may have accrued from the cutoff of benefits as the result of the Social Security Administration's continuing disability investigations will be more than offset by the increased frictional costs of establishing eligibility for SSI and by the reduced rehabilitation efforts of both SSI recipients and the social service community.

It will take strong measures to win back a generation of severely disabled people and the social service community which serves them to the cause of total or even partial self-support through gainful employment. With few exceptions, the name of the game is increasingly one of establishing and maintaining the eligibility of severely disabled persons for SSI and the medicaid coverage that goes

with it. Some States have spent money that would otherwise have paid for direct services on lawyers and the training of staff on how to provide successful documentation of eligibility for SSI. It is sad to see so much of society's scarce resources being allocated to dependency-creating activities instead of rehabilitation for total or partial self-support.

Succeeding sections of this analysis provide documentation on: (1) the background and selected characteristics of the SSI program; (2) the comparative utilization of health services by SSI and non-SSI recipients and its cost; (3) the provisions of the Social Security Disability Amendments of 1980 that affect the SSI program; (4) the impact on SSI recipients of the rehabilitation financing provisions of the Omnibus Budget Reconciliation Act of 1981; (5) innovative rehabilitation techniques that hold promise for severely disabled people; and (6) suggested changes in Federal programs affecting the severely disabled.

SSI BACKGROUND AND SELECTED CHARACTERISTICS

Congress created the supplemental security income (SSI) program in 1972 to replace three State-administered categorical programs for poor aged, blind, and disabled persons. The intent was to supplement the income of poor persons whose work experience or circumstances did not qualify them for coverage under the social security · disability insurance (SSDI) program, or whose benefits under the SSDI program were inadequate for subsistence.

The SSI program took over financial and administrative responsibility for the 3,147,200 persons in the 1973 State caseload in the aged, blind, and disabled categorical programs, who were receiving $3,457,410,000 in monthly cash payments. Federal takeover in 1974 was accompanied by an immediate 2.2 percent increase in the number of aged, blind, and disabled recipients of cash payments and a 26.7 percent increase in the amount of program expenditures.

The SSI program steadily expanded from 3,248,949 recipients of federally-administered payments in January 1974 to a high of 4,287,044 recipients in December 1977. Since 1977, there has been a steady decline in the number recipients, reaching 3,892,630 in August 1983. Annual program expenditures, on the other hand, have steadily increased since 1974 as a result of several factors: (1) Early program growth due to the Federal takeover; (2) indexed cost-of-living adjustments; and (3) expanded income and resource exclusions which determine basic eligibility and the monthly cash benefit amount for individuals and couples. Program expenditures have grown from a monthly total of $365,149,000 in January 1974 to $826,130,000 in August 1983—an increase of 126 percent. This trend, however, may have halted and even reversed direction. Public Law 98–139 authorizes a fiscal year 1984 appropriation of $8.3 billion for the SSI program, almost $205 million less than the fiscal year 1983 appropriation of $8.5 billion.

To put this program growth in perspective, we should remember that from 1974 to 1983, the population of the United States increased by about 9 percent, and the cost of living, as measured by the Consumer Price Index (CPI), increased by about 96 percent.

Also, during this period the number of persons 55 years and older has grown by nearly 5 million—from 43,664,000 in 1975 to 48,188,000 in 1981. This segment of the population is at highest risk for loss of income as the result of disability or the aging process.

In August 1983, 39.3 percent of the SSI caseload of 3,892,630 were aged; 2 percent were blind; and 58.7 percent were disabled persons. Compared to the SSDI program, the SSI caseload contains a substantially higher percentage of persons suffering mental disorders and diseases of the nervous system and sense organs. It has a smaller percentage of persons with diseases of the circulatory, respiratory, and musculoskeletal systems (table 1).

TABLE 1.—COMPARISON OF SSDI DISABLED WORKER AWARDS AND SSI BLIND AND DISABLED ADULT AWARDS, BY DIAGNOSTIC GROUP, 1975

[In percent]

Diagnostic group	DI	SSI
Infective and parasitic diseases	1.3	1.6
Neoplasms (cancer)	10.0	5.4
Endocrine, nutritional, and metabolic disorders	4.0	5.0
Mental disorders	11.2	[1] 30.7
Diseases of the circulatory system	30.2	20.7
Diseases of the nervous system and sense organs	6.8	10.0
Diseases of the respiratory system	6.6	4.7
Diseases of the digestive system	3.0	2.1
Diseases of the musculoskeletal system	18.7	12.7
Accidents, poisonings, and violence	5.4	3.9
Other	2.8	3.1
Total	100.0	100.0

[1] Includes mental retardation—13.1 percent.

Source: "Issues Related to Social Security Act Disability Programs," Committee on Finance, U.S. Senate, October 1979 (cited in U.S. Senate, 1982).

In assessing the rehabilitative potential of blind and disabled SSI recipients for total or partial self-support through gainful employment, it is very important to keep in mind that most SSI recipients have never had much attachment to the labor market. If they had, their retirement or disabling condition would have qualified them for a substantially higher old age survivors insurance (OASI) or SSDI benefit. The average monthly benefit amount in 1980 was $304.90 under OASI, $269.50 under SSDI, and $128.20 under SSI (Social Security Bulletin, Statistical Supplement, 1982). In this regard, it should also be noted that SSI serves to supplement other sources private and pubic sources of income; hence, the average monthly payment for the entire SSI caseload is considerably less than the maximum payable amount.

The SSI recipient who suffers a mental disorder, such as mental retardation (MR) or chronic mental illness (CMI), is particularly disadvantaged because the onset of the condition—at birth for mentally retarded persons and usually during adolescence for chronically mentally ill persons—interferes with basic learning and development of occuptional skills. The physically-impaired SSI recipient typically has had a tenuous work history prior to the onset of the disabling condition which established SSI eligibility.

Thus, rehabilitating SSI recipients for total or partial self-support will require substantial effort and careful manipulation of the incentive system for recipients and employers alike, if a cost-beneficial outcome for society is to be achieved. Not every blind or disabled SSI recipient is a suitable candidate for rehabilitation, nor should the whole SSI population be rejected as unfeasible candidates.

The living arrangements of SSI recpients offers a clue to the support system standing behind the individual recipient. Of the 3,968,000 persons on the rolls in July 1981, 3,369,800 (84.9 percent) lived in their own household; 198,400 (5 percent) lived in another's household; 132,900 (3.3 percent) lived in their parental home; and 266,900 (6.7 percent) received care within medicaid intermediate care (ICF) or skilled nursing (SNF) facilities (SSA, 1984). There are no remarkable differences in the distribution of living arrangements among blind, disabled, and aged SSI recipients. Keeping in mind people like Wendy P., one should not write off SSI recipients living in medicaid intermediate care facilities as unfeasible candidates for vocational rehabilitation and job placement efforts. On the other hand, persons living in their own household with a spouse as well as younger persons living in their parental home may be among the best SSI candidates for rehabilitation, since they enjoy an intact support system which may offer encouragement to the rehabilitant.

The SSI caseload is not static. In the course of a year, 3.6 percent of the SSI recipients die, and another 0.4 percent receive an adjustment in benefits because of the death of a spouse. Almost 3 percent are terminated because their income and/or available assets are too high. About 0.5 percent leave the rolls because their disability ceases, and another 0.5 percent are terminated because they failed to furnish a required report to the Social Security Administration.

The vast majority—nearly 90 percent—of SSI recipients continue on the rolls from one year to the other. In fact, the average blind or disabled SSI recipient remains on the rolls for 16 years, while an aged SSI recipient stays for 18 years (SSA, 1984). Applying the average 1980 monthly SSI payment of $128.20 to the 1981 caseload, an estimated lifetime payment will be made of nearly $25,000 to each of the 2,284,400 blind or disabled SSI recipients, without allowance for indexed cost-of-living adjustments. For each of the 1,683,600 aged recipients, the estimated lifetime payment will amount to nearly $28,000, again without allowance for indexed cost-of-living adjustments.

But this is not the full story. In December 1982, more than 60 percent of the SSI recipients received income from some other source—social security benefits (49.4 percent), earnings (3.2 percent), and unearned income other than social security benefits (10.1 percent) (Social Security Bulletin, Statistical Supplement, 1982). Compared to the aged, a substantially smaller percentage of blind and disabled SSI recipients received income from some other source than earnings. Whereas 69.6 percent of aged SSI recipients received an average of $233.83 per month in social security benefits, only 37.6 percent of the blind and 35.8 percent of the disabled recipients had average monthly social security benefits of $244.53 and $226.12, respectively. With respect to earnings as a source of

income, 6.5 percent of the blind and 4.4 percent of the disabled SSI recipients had average monthly earnings of $414.04 and $93.23, respectively. Clearly, blind SSI recipients obtain higher average monthly social security benefits and, when working, earn more and get to keep a larger share of their monthly earnings.

What is the estimated lifetime benefit when all sources of social security benefits are taken into account? Assuming 18 years on the rolls, we estimate conservatively that the average aged person in the 1981 SSI caseload will receive a total lifetime benefit of $62,844 from the combination of SSI and OASI. Assuming 16 years on the rolls, the average blind and disabled person will receive, respectively, $43,523 and $42,978 from the combination of SSI and SSDI. These estimates assume no indexed cost-of-living adjustments, which will increase the average lifetime benefit. It should be noted that these estimates of total lifetime benefits are average for each category of SSI recipients; individual recipients within each category will receive varying levels of benefits—some substantially less than the average and some substantially more.

These cash payment costs of the SSI program are augmented by medicaid and medicare expenditures on behalf of SSI recipients. In 1982, medicaid spent nearly $10.9 billion on 3.4 million persons aged 65 or older, $174 million on 85,000 blind persons, and $10.5 billion on 2.8 million disabled persons (Social Security Bulletin, Statistical Supplement, 1982). SSI recipients who also receive OASI or SSDI benefits are covered under both the medicare and medicaid programs. Although medicare coverage for part A inpatient services is automatic for persons 65 years and older and SSDI beneficiaries, part B supplemental medical insurance requires payment of a monthly premium.

Many States enter into a "buy-in" agreement with the Social Security Adminstration to pay the monthy premium on behalf of joint medicaid-medicare eligibles who cannot afford to pay for it themselves. Thus, medicare becomes the primary source of payment for service, and the State medicaid program covers the required amounts of deductibles and copayments. In 1980, medicare spent nearly $4.5 billion in hospital and/or supplementary medical insurance funds on 1.7 million blind and disabled SSDI beneficiaries, some portion of which paid for services for joint SSDI-SSI recipients.

These statistics provide insight into the complexities of determining the extent to which a work disincentive exists for any given blind or disabled SSI recipient. Logic would argue that persons who have a relatively high combined income from all sources and who require substantial medical services have the highest work disincentives. Persons with less income and less dependence on medical services would appear to be the best candidates for vocational rehabilitation. The next section, dealing with health services utilization by SSI recipients under 65 years of age and its costs, will indicate how important medicaid coverage is to SSI recipients.

HEALTH CARE UTILIZATION AND COSTS

We recognized in the case of Wendy P. how important a consideration continuing health care coverage is when a disabled person

must decide whether or not to accept a job paying the substantial gainful activity (SGA) wage or higher. In this regard, we must put ourselves in the place of the individual faced with the choice in order to judge the risks and benefits of accepting the job. First, few—if any—SSI recipients have had a successful job experience which would lead them to believe they will succeed in this next one. Second, most of the jobs they are offered pay marginal wages. The SGA amounts to only $300 per month--$1.88 per hour, or 58 percent of the 1983 minimum wage of $3.35 per hour. Thus, the average SSI recipient is often being asked to rely on his or her ability to perform in a job for wages that barely cover the necessities of life—not to mention the high costs of medical care in the event of recurring illness. Concern about recurring illness and its cost is well-founded, as indicated by the National Medical Care Expenditure Survey (NCHSR, 1984).

The National Medical Care Expenditure Survey (NMCES) was conducted over an 18-month period during 1977 and 1978 in approximately 14,000 randomly selected households in the civilian noninstitutional population of the United States. Data were collected via six successive household interviews, and supplemented by (a) a survey of the physicians and facilities that provided medical care to persons in the household sample during 1977, and (b) a survey of the employers and insurance companies that provided the health insurance coverage of the sample households. Among the major foci of the NMCES was the extent to which the burden of paying for health care services for the elderly and the poor falls on the medicare and medicaid programs.

Analysis of the NMCES data has been limited to health services utilization and its cost among SSI and non-SSI recipients under 65 years of age, because society does not expect retirement age persons to seek work. Reflecting this, section 1615(a) of the Social Security Act provides for referral to State rehabilitation agencies of SSI recipients who have not attained age 65.

In addition to documenting patterns of health service utilization, the NMCES data also portray the demography of the SSI caseload. Table 2 presents the differences between SSI and non-SSI recipients under 65 years of age along a variety of dimensions. The more salient differences and their significance are discussed below.

TABLE 2.—NATIONAL MEDICAL CARE EXPENDITURES SURVEY (NMCES) JANUARY 1977 to JUNE 1978

Variable	SSI recipient, less than 65 years	Non-SSI recipient, less than 65 years
Sex (percent):		
Male	26.6	48.8
Female	73.4	51.2
Race (percent):		
White	79.0	74.0
Nonwhite	21.0	26.0
Age (percent):		
16 to 20	0.85	2.33
21 to 25	5.33	15.36
26 to 30	4.5	14.91
31 to 35	5.9	12.76

TABLE 2.—NATIONAL MEDICAL CARE EXPENDITURES SURVEY (NMCES) JANUARY 1977 to JUNE 1978—Continued

Variable	SSI recipient, less than 65 years	Non-SSI recipient, less than 65 years
36 to 40	5.05	10.16
41 to 45	6.79	9.7
46 to 50	14.7	9.72
51 to 55	18.55	10.05
56 to 60	20.87	8.98
61 to 65	17.47	6.12
Marital status (percent):		
Never married	31.1	23.5
Married	42.1	62.4
Widow	10.2	2.6
Separated	5.5	2.9
Divorced	9.4	5.0
Employment status (percent):		
(1) Employment, DOL: [1]		
Worked	9.6	65.6
Unemployed	2.8	4.1
Not in labor force	87.2	29.4
(2) Employment, 1977: [2]		
Employed all year	7.6	63.1
Employed part of year	5.7	15.2
Not employed	84.5	20.2
Unknown	2.2	1.5
Household Income Relative to Povery Line (percent): [3]		
Poor (less than poverty line)	25.7	9.9
Near poor (1.0–1.24)	13.9	3.3
Low income (1.25–1.99)	18.4	13.1
Middle income (2.0–3.99)	26.9	37.1
High income (4.1+)	15.2	36.6
Total annual family income (percent):		
Zero		0.1
$1 to 3,600	20.1	7.2
$3,600 to 4,999	10.9	2.8
$5,000 to 7,499	14.1	5.5
$7,500 to 9,999	12.8	7.8
$10,000 to 11,999	4.5	7.4
$12,000 to 19,999	18.0	26.9
$20,000+	19.5	42.0
Negative income		0.3
Mean annual per capita SSI benefit, 1977 (dollars)	$1,058.00	
Mean annual per capita welfare income (dollars):		
AFDC	$608.46	$666.53
Other public assistance, state or local	$697.35	$750.13
Both AFDC and other public assistance	$627.55	$1,269.87
All others	0	0
Families receiving food stamps, 1977 (percent)	24.4	6.9
Mean monthly food stamp value, 1977 (dollars)	$110.00	$136.00
Mean per capita disability days (number):		
Bed days [4]	14.9	4.6
Restricted activity days, excluding bed, work, and housework days [5]	10.7	3.4
Work days [6]	4.4	3.7
Housework days [7]	14.4	3.2
Mean per capita health service use (number):		
Medical equipment purchases [8]	0.16	0.24
Dental visits [9]	0.87	1.03
Hospital admissions [10]	0.28	0.29
Outpatient physician contacts, including telephone calls [11]	6.56	6.02
Outpatient physician visits for which there was a charge [12]	5.25	5.61
Telephone calls to physician for advice, regardless of charge [13]	0.26	0.28
All other patient contacts with health care providers other than physicians [14]	1.66	2.06
Number of drugs/other medical preparations prescribed by physician, and refills [15]	11.81	10.33

TABLE 2.—NATIONAL MEDICAL CARE EXPENDITURES SURVEY (NMCES) JANUARY 1977 to JUNE 1978—Continued

Variable	SSI recipient, less than 65 years		Non-SSI recipient, less than 65 years	
Number of glasses/lens purchase and repairs	0.17		0.17	
Mean per capita health care expenditures, 1977 (dollars):				
(1) Total expenditures, all types excluding health insurance premiums	$1,336.50		$496.13	
(2) Total family share	$162.05		$164.90	
(3) Total private health insurance share	$181.50		$225.66	
(4) Total medicare share	$110.42		$12.41	
(5) Total medicaid share	$621.41		$32.02	
(6) Total share of other payers	$216.73		$50.97	
(7) Total share paid by unknown payers	$44.47		$10.17	
	Amount	Percent	Amount	Percent
Mean per capita expenditure for health care by type:				
(1) Medical equipment and supplies, total (dollars)	$15.29	100	$3.75	100.0
Family share	10.18	66.6	2.66	76.2
Medicare share	0.53	3.5	0.15	4.0
Medicaid share	2.92	19.1	0.06	1.5
Private insurer share	0.29	1.9	0.44	11.8
Other payer share	1.38	9.0	0.24	6.3
Unknown payer share	0	0	0.002	0.04
(2) All physician outpatient contacts, total (dollars)	$172.96	100.0	$106.36	100.0
Family share	35.39	20.5	45.88	43.1
Medicare share	15.40	8.9	1.43	1.3
Medicaid share	87.63	50.7	6.35	6.0
Private insurer share	19.83	11.5	38.83	36.5
Other payer share	12.50	7.2	11.32	10.6
Unknown payer share	2.21	1.3	2.55	2.4
(3) Dental visits, total (dollars)	$27.73	100.9	$61.01	100.0
Family share	16.68	60.2	42.65	69.9
Medicare share	0	0	0.03	0.05
Medicaid share	8.04	29.0	1.14	1.9
Private insurer share	1.48	5.3	12.49	20.5
Other payer share	1.41	5.1	2.98	4.9
Unknown payer share	0.12	0.4	1.73	2.8
(4) Hospital admissions, total (dollars)	$838.79	100.0	$195.64	100.0
Family share	41.20	4.9	21.46	11.0
Medicare share	75.22	9.0	8.38	4.3
Medicaid share	394.89	47.1	16.97	8.7
Private insurer share	117.77	14.0	122.96	62.8
Other payer share	170.27	20.3	21.78	11.1
Unknown payer share	39.43	4.7	4.09	2.1
(5) Physician phone contacts, total (dollars)	$0.31	100.0	$0.70	100.0
Family share	0.02	7.8	0.32	45.9
Medicare share	0	0	0.004	0.6
Medicaid share	.020	63.5	0.03	4.8
Private insurer share	0.06	19.7	0.24	34.5
Other payer share	0.003	1.0	0.06	8.8
Unknown payer share	0.03	8.0	0.04	5.5
(6) Nonphysician outpatient visits, total (dollars)	$36.42	100.0	$17.04	100.0
Family share	8.42	23.1	8.60	50.4

	Amount	Percent	Amount	Percent
Medicare share	1.62	4.4	0.11	0.7
Medicaid share	19.99	54.9	0.76	4.5
Private insurer share	1.59	4.4	4.57	26.8
Other payer share	4.65	12.8	2.56	15.0
Unknown payer share	0.16	0.4	0.44	2.6
(7) Prescription drugs, total (dollars)	$70.43	100.0	$25.33	100.0
Family share	22.15	31.5	18.53	73.1
Medicare share	39.25	55.7	1.08	4.3
Private insurer share	6.66	9.5	3.98	15.7
Other payer share	2.37	3.4	1.71	6.8
Unknown payer share	0	0	0.03	0.1

[1] EMPDOL: Employment status as of the Round 5 interview. This variable was developed to approximate the Department of Labor statistics for December 1977. Persons are considered employed if they worked for pay (including the self-employed) the week preceding their Round 5 interview date, or their reason for not working that week was sickness, vacation, strike or a similar ground. Persons are considered unemployed if not employed as defined above, including persons on layoff or looking for work. Persons not in the labor force include all civilians 16 years of age and older not classified as employed or unemployed, including full-time students.

[2] EMP1977: A variable indicating 1977 employment status. All persons 14 years of age or older were asked a series of questions about employment in two different rounds of the survey.

[3] This indicator relates annual household income to the poverty level line 1977, adjusting for household size, according to the U.S. Bureau of the Census guidelines.

[4] DISBED: The number of days illness or injury kept a person in bed all or most of the day, including days in the hospital.

[5] DISCD: The number of days illness or injury caused a person to restrict usual activities, other than days in bed, days lost from work, and days lost from work around the house.

[6] WORKDIS: The number of days illness or injury kept a person 14 years or older away from work (excluding work around the house).

[7] HSWKDIS: The number of days illness or injury kept a person 14 years or older from working around the house (excluding work loss days under DISWORK).

[8] OMEVENT: Purchases or rentals of wheel chairs, crutches, corrective shoes, supportive devices, hearing aids, syringes, needles and other medical supplies.

[9] DVEVENT: Visits to a dentist, dental surgeon, oral surgeon, orthodontist, other dental specialist, dental hygienist, dental technician, or any other persons for dental care.

[10] HSCEVENT: Hospital admissions, including admissions of less than 24 hours and for women giving birth. Newborns are not counted as separate admissions unless they were admitted separately following delivery. Admissions to nursing homes, convalescent homes, or similar facilities are excluded.

[11] DREVENT: All outpatient physician contacts in any medical setting. Includes telephone calls to obtain medical advice, whether or not there was a charge for the call.

[12] DRWCHRG: All outpatient physician visits in any medical setting for which there was a charge, excluding telephone calls for advice.

[13] DRTEL: All telephone calls to a physician for medical advice, regardless of whether there was a charge.

[14] NDREVENT: All outpatient contacts, including telephone calls for advice, with providers of health care other than physicians. These include chiropractors, psychologists, foot doctors or podiatrists, optometrists, lab technicians, physical or speech therapists, physician assistants, social workers, home health aides, nurses and nurse practitioners, other nurses or aides, as well as dispensers of other therapies.

[15] RXEVENT: Number of drugs or other medical preparations prescribed by a physician and purchased or otherwise obtained, including refills.

Source: National Center for Health Services Research, U.S. Department of Health and Human Services, National Health Care Expenditures Study, special analysis, January 18, 1984.

Compared to the non-SSI population, persons in the SSI caseload are largely female (73.4 percent), white (79 percent), older (71.6 percent between 46 and 65 years old), out of the labor force (87.2 percent), in households with poor to low income (59 percent), and living without a helpmate (56.2 percent either never married, widowed, separated, or divorced).

On all measures of disability, SSI recipients appear more disabled than the rest of the population under 65 years of age. They are three to four times more disabled in terms of the number days spent in bed all or most of the day, the number of days in which illness or injury caused restriction of usual activities, or the number of days in which the person was incapable of working around the house. In terms of work disability, employed SSI recipients lost an average of 4.4 days per year in contrast to 3.7 days for the rest of the population under 65 years of age. According to the National Medical Care Utilization and Expenditure Survey (NMCUES), conducted by the National Center for Health Statistics (1984), 13.9 percent of all SSI recipients over and under 65 years of age reported a mental health condition for which they received services, compared to 5.5 percent of the non-SSI population. *Thus,*

SSI recipients appear both physically and mentally more disabled than the rest of the population.

The NMCES measured employment status in two ways, one approximating the Department of Labor (DOL) measure and the other based on a series of questions about employment in two different rounds of the survey. Not unexpectedly, very few SSI recipients are working (9.6 percent), or unemployed looking for work (2.8 percent), compared to nonrecipients under 65 years of age. By DOL definition, more than 87 percent of the SSI recipients are "not in the labor force." By the other definition, 7.6 percent of the SSI recipients were employed throughout 1977, 5.7 percent part time, 84.5 percent not working, and 2.2 percent unknown as to employment status.

According to the NMCES data, SSI recipients obtain an average per capita annual SSI income of $1,058. In addition, they receive somewhat less income than the rest of the population from such welfare sources as AFDC, other State or local public assistance, or their combination. Although SSI recipients are more than three times as likely to receive food stamps, the average monthly value ($110) of the stamps is less than the value ($126) of the food stamps received by the rest of the population under 65 years of age. In this regard, it is important to remember that SSI recipients who receive welfare payments from more than one source or who have earnings are subject to SSI rules which reduce the monthly SSI payment commensurate with these other sources of income.

When all sources of income are combined, it is clear that the majority of SSI recipients do not enjoy a high standard of living. Compared to nonrecipients under 65 years of age, total annual family income for SSI recipients is decidedly skewed toward the lowest end of the income continuum—31 percent receiving less than $5,000 per year and 20.1 percent receiving less than $3,600 annual yield of the SGA wage. The comparable figures for nonrecipients are 10.1 percent receiving less than $5,000 per year and 7.3 percent receiving less than $3,600. Relative to the poverty line, 25.7 percent of SSI recipients versus 9.9 percent of the nonrecipients have household incomes below it, and 13.9 percent of SSI recipients versus 3.3 percent of nonrecipients live on incomes in the "near poor" range. On the other hand, a number of SSI recipients do live in households with total incomes in the middle (26.9 percent) and high (15.2 percent) income range. This happens when an SSI recipient lives in a household where the income and resources of other members cannot be deemed as available in determining the amount of the SSI payment; e.g., children 18 years and older are not subject to parental deeming.

The NMCES data were collected 5 years ago. Wages, prices, unemployment, and indexed SSI benefits have all increased at differing rates since that time. Thus, it is not immediately apparent what the current distribution of income is among SSI recipients compared to the rest of the population. On the one hand, rising unemployment may have increased the percentage of the total work-age population in the lower income range; on the other hand, indexing should have maintained the value of SSI benefits relative to price and wage increases. If this indeed happened, then the percentage of SSI recipients now in the lower income brackets may

have decreased somewhat, and the percentage of nonrecipients now having lower incomes may have increased somewhat. If this kind of shifting of the income distribution is occurring in the United States, the work ethic among lower income groups generally seems likely to suffer. To the extent that low income groups during times of high unemployment perceive SSI and other sources of income support as more secure than work in low-paying jobs, it magnifies the already considerable work disincentives that exist in the SSI and abutting programs.

Health service use among SSI recipients is both higher and lower than among nonrecipients, depending on the type of service. SSI recipients use less medical equipment and supplies; receive less dental care; and have fewer outpatient contacts with nonphysician health providers. On the other hand, they use physicians on an outpatient basis more frequently and consume more drugs and other medical preparations prescribed by a physician. SSI recipients use hospital inpatient services and seek advice via telephone from a physician about as often as the rest of population under 65 years of age.

In 1977, the total medical expenditure of the average SSI recipient was 2.6 times greater than that of the rest of the population under 65 years of age—$1,336.60 versus $496.13 per capita. Medicaid paid about 46 percent of the bill for SSI recipients, while private insurance paid the same share for the rest of the population. SSI recipients paid out-of-pocket about 12 percent in contrast to the one-third paid by the rest of the population. SSI recipients also obtained substantial help with their medical bills from private health insurance (13.5 percent), medicare (8.3 percent), and other known and unknown payers (19.5 percent).

Although SSI recipients used certain health services less frequently than the rest of the population, the per capita expense of their utilization was noticeably higher in some instances. For example, the per capita use of medical equipment and supplies was 0.16 among SSI recipients and 0.24 among nonrecipients, but the cost was $15.29 per SSI recipient versus $3.75 per nonrecipient. Similarly SSI recipients paid $36.42 for 1.66 nonphysician outpatient contacts per capita versus $17.04 for 2.06 such contacts per capita among nonrecipients. They also consume many more days of hospital inpatient services per admission than nonrecipients, as implied by the equal number of admissions but substantially higher ($838.79 versus $195.64) per capita costs. The longer stays are probably explained by the combination of severity of condition and/or the lack of a support system back home, discussed earlier, which may cause hospitals to keep the SSI recipient longer. In constrast to this pattern, SSI recipients receive and pay for less dental care than the rest of the population under 65 years of age, and pay less for the approximately equal number of physician telephone contracts they have.

As a final comment on these patterns of service use and expenditure the settings in which poor SSI recipients receive their health care may account for certain of the apparent inconsistencies in per capita costs and the number of service units received. Outpatient and other services provided in the typical large urban hospital complex frequented by many SSI recipients have high associated

overhead costs, including the passthrough of bad debt to customers with insurance coverage. The main point to remember is that, whatever the causes, SSI recipients do face higher health care costs than nonrecipients and thus have a legitimate concern about the consequences of losing medicaid coverage when they take a job paying SGA wages without equal health insurance benefits.

SOCIAL SECURITY DISABILITY AMENDMENTS OF 1980

On June 9, 1980, the Social Security Disability Amendments of 1980 (Public Law 96-265) were signed into law. These amendments attempted to deal with some longstanding issues of equity and efficiency in the SSDI and SSI programs. Here we shall confine ourselves to: (1) Several general provisons which sought to strengthen work incentives in the SSI program; (2) the 3-year demonstration program to pay special cash benefits and provide extended medicaid coverage to persons who complete the 9-month trial work period and continue to earn more than the SGA wage ($300 per month); (3) the 3-year pilot program to help States pay for medical assistance and social services to persons not receiving SSI, special benefits, State supplementary payments, or medicaid but whose ability to continue work is jeopardized by insufficient earnings to pay for needed medical or social services; (4) continuing benefits for persons in vocational rehabilitation plans who unexpectedly recover medically; and (5) the continuing disability investigations, as implemented by the Social Security Administration.

Exclusion of Extraordinary Work Expenses

Section 1612(b)(4)(B) permits the cost of extraordinary work expenses (e.g., attendant care services, medical devices, equipment, prostheses, etc.) to be excluded from income for purposes of determining ability to engage in SGA. For SSI recipients, this deduction may be used to compute the monthly benefit amount; however, initial SSI eligibility must be established without application of the deduction. This provision recognizes that a worker's gross earnings in the face of extraordinary disability-related expenses is an inadequate measure of ability to engage in SGA work. When earinings minus the deduction reach SGA after a 9-month trial work period, which may occur consecutively or nonconsecutively, benefits cease—unless subject to the special cash benefit payments allowed under the 3-year demonstration program authorized by section 1619(a) of the 1980 amendments, which will be discussed below.

The limitations of the exclusion for extraordinary work expenses are apparent. The worker whose extraordinary work expenses exceed the amount of his or her earnings plus the allowable SSI payment cannot take advantage of it. Effective January 1, 1984, monthly SSI payments may not exceed $314 for an individual and $472 for a couple. Even though Wendy P. did not know of the provision, she feared that the $25,000 earnings from the job she was offered would not cover the total cost of living in an medicaid ICF-certified nursing home, an attendant to help her prepare for and get to work and return each day, transportation, repairs to her motorized wheelchair, etc. It is not inconceivable that Wendy P.'s care in the nursing home by itself amounts to $25,000, leaving nothing

for the extraordinary work expenses which she would have had to pay in order to work.

Had the entire package of the Social Security Disability Amendments of 1980 been funded and implemented, Wendy P. might have been accommodated. Section 1620 authorized, effective January 1, 1981, a 3-year pilot program under which States could receive a total of $18 million to help defray the cost of providing medical and social services to severely handicapped persons who, although not receiving SSI because of earnings in excess of the SGA amount, could not continue working without receiving such assistance and had insufficient earnings to provide a reasonable equivalent of the cash and other benefits that would be available from SSI, medicaid, and social services in the absence of those earnings.

Section 1620 was not funded. If it had been, Wendy P. might have been accommodated within this program but only if several conditions were simultaneously met: If Virginia had elected to participate and to receive its formula allotment of $120,000 for each of the 3 years of the pilot program *and* if Wendy P. had not been too fearful to approach the Social Security Administration in the first place *and* if she was willing to take her chances with a pilot program which the Congress might not fund in future years *and* if the State selected Wendy P. from all possible applicants for participation in the program.

As a footnote here, we should recognize that enrolling Wendy P. in the program before she took the $25,000 job would have required bureaucrats at the State and Federal levels to give a "liberal" interpretation of the language of section 1620, since strictly speaking, Wendy P. was a SSI recipient who would have had to be removed from the SSI rolls in order to qualify for the pilot program. Could Wendy P.'s support system survive during the inevitable hiatus that occurs during bureaucratic processing of applications and first payment of benefits? Would Wendy P. have been willing to take the risk in the environment of suspicion and distrust of Social Security Administration motives that has developed in recent years?

Automatic Reentitlement to Benefits

Section 1614(a)(3)(F) extends under both the SSDI and SSI programs a person's status as "disabled" for 15 months after the completion of a 9-month trial work period, provided medical recovery does not occur. This provision of the Social Security Amendments of 1980 was to overcome the disincentive in the old law which the Senate Finance Committee summarized as follows:

> The abruptness of the termination of the trial work period forces people who work for some time and then, because of their impairment, must stop work, to refile an application and go through the lengthy determination process again. The committee believes the possibility of having to go through this process again poses a sizable impediment to disabled beneficiaries contemplating a return to work (Social Security Bulletin, April 1981).

This provision of the Social Security Disability Amendments of 1980, while a step in the right direction, is less potent than the pro-

visions of sections 1619(a) and (b), which will be more amply described below. However, one must ask how effective this provision could hope to be in face of the tightening of SSA initial disability determinations through its increased sampling and review of State agency decisions and the continuing disability investigations, implemented under sections 221(c)(3) and 221(i), which have, respectively, prevented so many persons from qualifying or caused them to be removed from the rolls? In fact, Wendy P. would almost certainly be terminated if she took the $25,000 job.

People these days worry about qualifying for or maintaining their disability status, not about the number of months for which they remain eligible for automatic reentitlement to benefits if they cease work activity because of a flareup of their disabling condition. On the other hand, those who provide rehabilitation counseling, training, or sheltered work for handicapped persons do worry about the tolling of the 9-month trial work period and counsel staying below $300 monthly wages whenever they doubt the rehabilitant's ability to eventually achieve and sustain a job paying a living wage. In our opinion, the good intentions of the Senate Finance Committee behind section 1614(a)(3)(F) have been largely offset by the Social Security Administration's implementation of sections 221(c)(3) and 221(i).

Three-Year Extended Benefits Demonstration Program

The Social Security Disability Amendments of 1980 created a two-part demonstration program—one part (section 1619(a)) authorizing special cash benefits after an SSI recipient achieves SGA earnings and the other part (section 1619(b)) extending medicaid coverage under certain conditions.

Prior to 1981, a SSI recipient who engaged in SGA (i.e., who earned more than $300 per month) would have had his or her benefits terminated after completing a trial work period of 9 months. Then and now, any month in which a person earns more than $75 counts as part of the trial work period. Thus, a recipient who accepted employment paying $400 per month would have received (based on the SSI payment of $314 effective on January 1, 1984 for a single individual living in his or her own home) only $86 per month more than the SSI payment at the end of the trial work period. It should also be observed that the former SSI recipient would also have had to pay social security and other tax liabilities as well as normal work-related expenses, all of which further reduce his or her net gain from taking a job.

After 1981, section 1619(a) of the demonstration authority permits SSI recipients to continue to be paid as long as their gross earnings remain less than the Federal monthly break-even amount. The Federal monthly break-even amount, effective on January 1, 1984, is about $713 ($85, consisting of an income disregard of $20 from any source and the next $65 of earnings, plus twice the allowable monthly SSI payment) for a single individual, at which point the $1-for-$2 reduction in payments wipes out the SSI benefit. In some States which supplement the SSI payment, the combined Federal-State break-even amount may even exceed the $713.

Thus, a single SSI recipient earning $400 per month continues to receive a $156 SSI payment, i.e., $314−[($400−$85)/2] under this demonstration project, and his or her total income will be $242 per month ($400+$156−$314) higher than would be received from SSI alone. This is a much greater amount than the recipient would have received prior to 1981 under the old law.

Many persons receiving SSI are also eligible for medicaid and medicare (if simultaneously eligible for SSDI benefits). Medical benefits are a major component of income, and in some cases the value of health benefits exceeds the value of income support (cash) benefits. The States for some time have had the option of establishing a federally-subsidized "working poor" program under medicaid. Section 1619(b) of the Social Security Disability Amendments of 1980 established continuing medicaid eligibility for all SSI recipients who return to work, provided that they (a) continue to have a disabling condition; (b) would receive SSI benefits if their employment ends; (c) would have difficulty maintaining their employment without medical coverage; and (d) do not have earnings equal in value to their combined SSI benefits, State supplementary payments, and the medical coverage they would have received had they not returned to work. In effect, section 1619(b) created a national "working poor" medicaid program for SSI recipients.

Section 1619(b) reduces but does not eliminate the possibility of loss of Federal medical coverage for SSI recipients who return to work. SSI recipients who are covered by both medicaid and medicare, for example, may worry about health care beyond the 4 years of possible medicare coverage after return to work (Social Security Bulletin, April 1981). And medicaid recipients who earn more than the Federal/State break-even amount may be reluctant to face possible loss of their health coverage—a realistic concern, as indicated by the findings of the 1977 National Medical Care Expenditure Survey (NCHSR, 1984) reported above. It should also be noted that, in addition to the loss of these income and health benefits, persons who accept employment may also lose State social service benefits such as attendant care, depending on the eligibility criteria established by individual States.

It should be observed that the 3-year demonstration was scheduled to cease at the end of 1983. At this time, the Congress has not yet extended sections 1619(a) and (b), and strictly speaking, all those who have been benefiting from their provisions should be treated as the old law dictates. In anticipation of eventual favorable congressional action, the Social Security Administration has acted to delay cutting off benefits by placing the demonstration under section 1110 of the Social Security Act, effective January 1, 1984 to December 31, 1984 (Federal Register, March 15, 1984). However, individuals who become eligible for SSI benefits after December 31, 1983 will not be covered—ostensibly because sufficient data cannot be obtained on the admitted small number of participants to determine the effectiveness of sections 1619(a) and (b). For persons newly applying for SSI benefits in 1984, the old law prevails: A job paying $400 per month at the end of the 9-month trial work period yields a net income improvement of $86 over the monthly SSI payment of $314 for a single individual, as noted above.

Section 201(e) of Public Law 95–265, effective January 1, 1981 to December 31, 1983, required the Secretary of HHS to keep separate acounts of the benefits paid under section 1619(a) and (b) in order to evaluate the impact on titles II, XVI, XIX, and XX of the Social Security Act. As yet, the results of the mandated evaluation are not available. However, an informal survey of the States to learn how they are implementing sections 1619(a) and (b) has indicated that few even know of their existence, according to Allen Jensen, staff member of the U.S. House of Representatives, Committee on Ways and Means.

It is useful at this point to review how public programs create work disincentives for eligible disabled persons.

First, the cumulative effect of all potential losses of public benefits must be considered in assessing the extent of incentives and disincentives to accepting work. The combined monetary value of these losses can be quite large, not to mention the psychological threat to recipients even as intelligent as Wendy P. who do not understand the complicated rules which determine continuing eligibility for benefits. If the reader has found it difficult to follow the foregoing analysis of how the rules work, then consider the plight of the handicapped layperson trying to figure out the risks and benefits of accepting a job paying "*n*" amount of dollars.

Second, the tenuousness of the employment offered to many physically and mentally disabled persons, when measured against the greater security of the corresponding package of income support and health benefits available from Federal and State programs, is another very powerful disincentive to accepting work. Most persons, whether handicapped or not, are highly concerned about income security, as evidenced by our society's preoccupation with job protection through seniority, tenure, and other provisions of employment contracts.

Third, we should not forget the disincentive effect of the very eligibility determination process of Federal, State, and private disability programs such as SSI, SSDI, workers' compensation, and private insurance plans. The rules foster a sense of dependency and the belief by applicants that they cannot and must not work if they are to establish eligibility. The eligibility determination process is frequently lengthy, and from the moment of application the energies of the applicant, family, lawyer, and others who may become involved are devoted to proving that the applicant cannot work. Is it any wonder that once the desired benefits are achieved, the beneficiary is either convinced of the futility of efforts to return to work, or is frightened to death at the prospect of doing so?

Logical arguments pointing to the existence of work incentives and disincentives notwithstanding, do the complicated regulations of public benefit programs significantly impact on the employment decisions made by physically and mentally disabled persons, few of whom even understand them? Although systematic empirical evidence is hard to find, there is ample anecdotal substantiation of the fact from many cases like that of Wendy P. But also ask this question, "Will social workers, board and care home operators, lawyers, and relatives always be anxious to encourage handicapped persons to sacrifice secure benefits for an uncertain and marginally higher income?"

These are interested parties who have a stake in maintaining the stability of the income of their client or relative. For the harried caseworker in the typical social service, rehabilitation, or mental health agency, stabilizing the life situation or care arrangements of a physically or mentally disabled client is a personal challenge and an achievement of great practical value once attained. When accomplished in face of a perceived adversary relationship with the Social Security Administration and its contractual State disability determination agency, as has been the recent experience, the achievement takes on added value! On the other hand, failure to access needed benefits for a client or relative because of perceived unfair rules or tactics results in enduring bitterness, loss of good will, and unwillingness to promote substantial gainful work activity even when it is possible. In the end, society and handicapped people are the losers, since for everybody of working age work is essential for self-support, independent living, and self-esteem.

Medical Assistance and Social Services Projects

As indicated above, section 1620 of the Social Security Disability Amendments of 1980, which would have helped defray the cost to States of providing medical assistance and social services to severely handicapped persons not receiving SSI whose jobs were jeopardized by insufficient income to pay for needed services, was not funded. If the Congress wants to assist people like Wendy P. to contribute to the cost of their support, it will have to revise the provisions of section 1620 so that persons receiving SSI can participate, and authorize sufficient funds to make it attractive for the States to take advantage of its provisions.

In view of the costs which cases like Wendy P.'s are likely to incur, the States are not likely to be attracted to a program which sets expectations far beyond what the Federal funds will support. Remember, section 1620 would have allocated to Virginia only $120,000 for each of the 3 years of the pilot program. Time-limited "pilot" or "demonstration" projects definitely do not win enthusiastic support from the States. They have learned the lessons of Public Law 94-142, which promised to families of handicapped children a free and appropriate public education with promise to the States of a measure of financial assistance to help make this entitlement a reality, only to discover that the Federal support was not forthcoming.

Continuing Benefits in Vocational Rehabilitation Plans

Section 225(b) assures the continuation after medical recovery of vocational rehabilitative services for persons in approved vocational rehabilitation plans if (a) the recovery was not anticipated, and (b) continued vocational rehabilitative services will increase the likelihood of permanent removal from the SSDI or SSI rolls. Section 225(b) of the Social Security Disability Amendments of 1980 seems fair and makes economic sense, and thus should remain public policy despite the lack of information about how many beneficiaries of the SSDI and SSI programs have left the rolls permanently as a result of this provision.

Continuing Disability Investigations

Section 221(i) requires a periodic review at least once every 3 years for determining the continuing eligibility of persons who have qualified for SSDI or SSI benefits, except where a finding has been made that such disability is permanent. The manner in which this provision of the Social Security Amendments of 1980 has been implemented is a matter of record. The U.S. Senate Special Committee on Aging conducted hearings on April 7 and 8, 1983, concerning the impact of these reviews on mentally disabled persons (U.S. Senate, 1983). The case of Gordon D. of Eugene, Oreg., a childhood polio victim diagnosed as paranoid schizophrenic, while extreme in consequences, epitomizes the impact of these reviews. After the Social Security Administration dropped him from the disability rolls and denied his appeal, he wrote to his family:

> I no longer have any income whatsoever and there is no way I can work * * * I have no life any more * * * I can't afford to eat * * * I don't even feel like a man any more.

In August 1983, he committed suicide (Mental Health Law Project, November 1983).

Until the U.S. Congress passes legislation such as H.R. 3755, reported out of the U.S. House of Representatives Committee on Ways and Means, there is no incentive for the social service community to counsel handicapped people to accept rehabilitation as a means of achieving gainful employment. As stated at the outset, it will take strong measures to win back a generation of severely disabled people and the social service community which serves them to the cause of total or even partial self-support through gainful employment. Increasing amounts of public and private funds will go into legal fees and successful documentation of SSI and SSDI eligibility. There is widespread knowledge that appeals to the level of the administrative law judge (ALJ) leads to a 91-percent rate of reversal and reinstatement of benefits for mentally impaired beneficiaries (U.S. Senate, 1983).

Lest the SSI and SSDI programs become as litigious and costly to administer as the State workers' compensation programs (Conley & Noble, 1980), it is essential that the U.S. Congress fashion and oversee implementation of the remedies such as those contained in H.R. 3755. In view of the heavy impact of the continuing disability investigations on particularly vulnerable mentally ill persons, it is necessary to:

—Place a moratorium on further reviews of mentally ill persons and require the Social Security Administration (SSA) to change its criteria for assessing the mentally ill, and to use outside medical and vocational experts.

—Make permanent the provisions of Public Law 97-455, scheduled to expire in October 1983, authorizing payments to beneficiaries through their appeal to the level of the administrative law judge.

—Require SSA to show good cause for terminating the benefits of anyone on the rolls, with a burden of proof for showing that the patient's condition had improved, that there was fraud involved, that the original decision was clearly wrong, or that ad-

vances in treatment resulted in the individual's current ability to work.

—Emphasize the need for a realistic evaluation of an individual's ability to work and make it clear that work in a sheltered workshop is not, by itself, evidence of ability to work.

—Require that eligibility determinations be made only after a qualified psychiatrist or psychologist has completed the medical portion of the evaluation; and

—Require a new Federal advisory council to study ways in which rehabilitation services might be better designed to meet the needs of SSI recipients.

Until such legislation passes, some States (New York, Maryland, Virginia, New Jersey, and Pennsylvania) will continue their policy of no longer allowing reviews and terminations of disabled people, and other States (Massachusetts, Georgia, and Kansas), although not imposing a full moratorium, will not fully comply with the Federal law.

The recent collaboration between SSA and the National Institute of Mental Health (NIMH) to revise the medical listings and the criteria for assessing residual functional capacity for work for mental disorders is an encouraging development. The SSA has also announced the availability of $100,000 to support 1-year grants to investigators who undertake exploration of the relationship between mental impairments and an individual's functional capacity to meet the demands of the workplace. However, statutory changes along the lines of H.R. 3755, as well as congressional oversight, are still needed. Nothing less will reassure severely disabled people and the social service community which serves them that the "name of the game" has changed, that something more than mere "paper reforms" is happening.

IMPACT OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) radically altered the rehabilitation financing provisions of the earlier Social Security Act. As codified in sections 222(d)(1) and 1615(d) of the Social Security Act, instead of paying for services provided to SSDI and SSI beneficiaries regardless of outcome, the new law permits reimbursements of State rehabilitation agencies or, in the event of refusal of a State to participate or comply with State plan requirements, reimbursement of contractual agencies or individuals—only if the client is sustained in employment paying SGA wages for a continuous period of 9 months.

In effect, the new method of financing rehabilitation was devised to overcome the perceived indifference of the old method to rehabilitating the maximum number of disabled individuals into significant productive activity. By establishing a system of performance reimbursement, with clear specification of the required level of performance, it was believed that rehabilitation outcomes would be improved, at less cost, to the title II social security trust fund and to title XVI. Nationally, through December 30, 1983, the Social Security Administration had approved only 325 claims for reimbursement from 30 of the 79 State rehabilitation agencies throughout

the country, ranging from $86,000 to less than $2 (SSA, 1984). However, there may be some increase in the offing, since about 100 more claims were approved for payment in January 1984. The total dollar amount of reimbursements claimed is miniscule compared to available funding—nearly $2 million in fiscal year 1982 and $2.2 million in fiscal year 1983. Prior to 1981, State rehabilitation agencies had been receiving from the Social Security Trust Fund and Title XVI appropriations an average of $150 million annually to serve SSDI and SSI beneficiaries (U.S. Department of Education, 1984).

Since the Omnibus Budget Reconciliation Act of 1981 was enacted, there has been a substantial drop in the investment by State rehabilitation agencies in SSI recipients, partly because of the change to a system of performance reimbursement and partly because of the general erosion since the mid-1970's of the purchasing power of State and Federal funding of vocational rehabilitation in the United States. Increases in the Federal-State vocational rehabilitation program budget have not been keeping pace with inflation for some time now, and has caused decline in the total number of cases served by State rehabilitation agencies. During the 5-year period from fiscal year 1975 to fiscal year 1979, for example, the number of cases served by State rehabilitation agencies declined by 0.71 percent for each percentage point reduction in 1975 constant dollar purchasing power (Noble, 1981). Erosion of the purchasing power of the vocational rehabilitation dollar continues. More recently, the fiscal year 1983 Federal appropriations of $943.900 million for the Federal-State vocational rehabilitation program had a value of $715.268 million in 1979 constant dollars.

In order to assess the possible impact of the Omnibus Budget Reconciliation Act of 1981, four States were surveyed—California, Oklahoma, West Virginia, and Michigan. The findings are summarized in tables 3 through 6.

TABLE 3.—SELECTED SSI REHABILITATION STATISTICS—CALIFORNIA STATE DEPARTMENT OF REHABILITATION

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served	116,430	119,382	102,569	90,462	94,769
Percent SSI	12.8	13.1	13.0	16.6	15.6
Total clients rehabilitated	14,903	15,124	12,664	11,064	12,712
Percent SSI	13.0	12.8	11.2	12.3	11.1
Average number of case services received, SSI	4.2	3.65	3.71	2.82	2.77
Average amount spent for:					
Case Services, SSI	$1,673	$1,988	$2,428	$3,053	$2,517
1979 constant dollars		$1,821	$2,333	$2,412	$1,908
Percent of SGA achieved, SSI (percent):					
0	15.9	15.3	19.3	19.2	27.0
1 to 24	5.8	5.5	1.1	1.1	2.9
25 to 49	5.7	7.9	2.4	2.1	3.0
50 to 74	5.6	4.3	3.6	3.4	4.0
75 to 99	4.0	4.4	4.4	2.9	3.0
100 to 124	4.2	3.7	3.1	4.3	3.7
125 to 149	3.3	4.1	3.9	3.8	5.4
150 or more	55.6	55.0	61.4	63.2	53.0

TABLE 3.—SELECTED SSI REHABILITATION STATISTICS—CALIFORNIA STATE DEPARTMENT OF REHABILITATION—Continued

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Major disabilities, SSI (percent):					
Blindness	10.4	10.3	11.3	10.3	11.0
Vision impaired	.6	.5	.5	1.7	1.7
Deafness	5.7	5.3	4.9	7.7	8.8
Hearing impaired	.3	.4	.5	.8	.8
Physical conditions	22.3	22.5	25.2	39.7	39.3
Alcoholism	2.0	1.8	2.0	1.8	2.0
Drug addiction	.5	.4	.3	.4	.6
Character/personality disorders	14.5	14.8	14.6	2.2	2.1
Psychosis/neurosis	27.2	27.7	27.4	26.2	24.9
Mental retardation	16.4	16.5	13.4	9.1	8.9

TABLE 4.—SELECTED SSI REHABILITATION STATISTICS—OKLAHOMA DIVISION OF REHABILITATION SERVICES

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served	33,924	35,000	32,639	29,883	29,101
Percent SSI	3.67	3.44	3.6	3.4	3.45
Total clients rehabilitated	7,867	7,953	7,486	6,544	6,078
Percent SSI	4.8	4.9	5.0	3.0	2.9
Average number of case services received, SSI	2.08	3.36	3.13	2.93	2.83
Average amount spent for:					
Case Services, SSI	$1,005	$1,771	$2,076	$2,101	$2,876
1979 constant dollars		$1,622	$1,739	$1,660	$2,180
Percent of SGA achieved, SSI (percent):					
0	64.4	67.8	72.0	56.9	53.7
1 to 24	1.9	3.1	1.1	1.5	2.8
25 to 49	3.2	3.1	4.9	1.0	2.8
50 to 74	3.5	1.6	2.7	3.1	7.3
75 to 99	1.6	2.1	2.2	1.0	3.4
100 to 124	2.1	1.6	1.6	3.1	4.0
125 to 149	2.9	2.6	.5	2.6	1.1
150 or more	20.5	18.3	15.0	30.8	24.9
Major disabilities, SSI (percent):					
Blind	16.8	18.6	14.6	16.2	16.7
Vision impaired	3.7	6.8	6.7	7.0	5.8
Deaf	3.3	4.0	3.5	3.8	8.7
Hearing impaired	.9	2.0	2.2	3.2	1.9
Orthopedic	25.4	24.2	25.6	28.6	26.7
Amputations	2.8	4.3	3.7	3.5	4.8
Nervous system disorders	2.6	2.0	2.7	2.7	4.5
Cardio-pulmonary disorders	5.4	4.3	7.4	5.6	2.9
Mental illness	19.6	14.1	15.4	11.8	12.2
Mental retardation	9.6	8.8	6.9	10.9	8.4
Other	10.0	10.8	11.2	7.4	7.4

TABLE 5.—SELECTED SSI REHABILITATION STATISTICS—WEST VIRGINIA DIVISION OF VOCATIONAL REHABILITATION

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served	999	25,184	24,178	23,943	17,925
Percent SSI	8.44	8.34	8.27	7.0	4.0
Total clients rehabilitated	4,725	4,566	4,070	3,636	3,263
Percent SSI	9.4	8.1	7.7	11.8	11.7
Average number of case services received, SSI	2.72	2.77	2.83	3.5	2.78
Average amount spent for:					
Case Services, SSI	$2,482	$2,043	$2,556	$2,407	$1,525
1979 constant dollars		$1,871	$2,141	$1,901	$1,156
Percent of SGA achieved, SSI (percent):					
0	50.2	52.1	50.8	55.8	58.3
1 to 24	6.0	2.5	2.6	21.7	26.8
25 to 49	3.4	5.0	4.8	8.0	8.0
50 to 74	2.1	2.8	4.2	8.0	4.0
75 to 99	.5	1.4	1.9	2.9	1.3
100 to 124	1.2	2.8	3.8	1.4	.7
125 to 149	3.2	3.6	4.5	.7	
150 or more	33.5	30.0	27.5	1.4	.7
Major disabilities, SSI (percent):					
Blind	8.5	9.0	8.0	8.6	6.3
Vision impaired	4.5	4.9	4.1	5.4	13.6
Deaf	2.2	5.4	3.7	3.0	1.0
Hearing impaired	2.4	3.2	2.6	4.7	4.7
Orthopedic	33.4	27.8	28.4	27.3	14.4
Amputation	4.3	6.5	3.7	2.1	3.1
Cardiac and circulatory	8.0	5.9	8.6	14.0	14.6
Respiratory system	.6	1.8	.8	18.2	21.9
Mental illness	12.0	13.0	16.5	4.0	1.3
Mental retardation	10.1	11.5	13.7	1.4	.8
Other	14.1	11.0	9.8	11.4	18.3

TABLE 6.—SELECTED SSI REHABILITATION STATISTICS—MICHIGAN DIVISION OF REHABILITATION SERVICES

Variable	Federal fiscal years—				
	1979	1980	1981	1982	1983
Total clients served	25,530	24,743	24,738	22,250	16,347
Percent SSI	6.6	7.4	6.5	6.0	4.9
Total clients rehabilitated	8,787	8,057	7,769	6,256	6,063
Percent SSI	4.7	5.3	3.9	3.7	3.2

In all four States, there has been a substantial drop in the total number of clients served after 1981, when the total Federal-State vocational rehabilitation program in the United States lost an average of $150 million per year in earmarked Federal funds for services to SSDI and SSI beneficiaries. This cutback and the erosion of purchasing power due to inflation have reduced the availability of rehabilitative services for all handicapped people, not just those receiving SSDI and SSI payments. The statistics begin to show the extent of impact in 1983 because the reduced intake of new clients in 1981 and 1982 is masked by the number of persons who were in the active caseload and continued to receive services. In other

words, old cases continued to receive services under existing rehabilitation plans, while the intake of new cases was curtailed.

The true impact of the cutback was greatest in Michigan and West Virginia—among the States hardest hit by the recent economic recession. In December 1983, for example, West Virginia continued to experience an average annual unemployment rate of 18 percent, while the national jobless rate declined from 9.7 in 1982 to 9.6 in 1983. What is more, the proportion of SSI recipients in the active caseload dropped precipitously. Thus, the reduced numbers of clients served and the lower proportion of SSI recipients in the caseloads of Michigan and West Virginia indicate that the hardest hit client in these States was the SSI recipient. In contrast, California and Oklahoma have maintained the same relative proportion of SSI recipients in their caseloads, despite cutting back on the size of their active caseload.

The statistics on total clients rehabilitated into wage-paying jobs in the competitive work force or in sheltered workshops, or into uncompensated employment such as housework or unpaid work on a farm or in a family business, reveal other dimensions of the impact. In all four States, there has been a drop in the total clients rehabilitated, but with differing outcomes for SSI recipients. The rehabilitation rates for SSI recipients are on the decline in Michigan and Oklahoma in contrast to West Virginia (where there has been a sharp increase) and California (where no change is evident). Only in West Virginia has there been an actual increase in the total number of SSI recipients rehabilitated. In the other States for which we have statistics, the net effect of the reduced total number of clients rehabilitated and the stable or declining proportions of SSI recipients among them is an absolute decline in the number of SSI recipients being placed into either paid or unpaid work.

Since 1981, the average number of case services provided to SSI recipients in California and Oklahoma have declined, while in West Virginia the trend is uncertain in face of fluctuating statistics. The average amount spent (in current dollars) for these case services has recently fallen off in California and West Virginia, but increased by $775 in Oklahoma. Measured in 1979 constant dollars, case services spending for SSI recipients has steadily increased since 1979 in California and Oklahoma, but not in West Virginia, where actual budget cuts and inflation since 1981 have substantially reduced the average case services expenditure.

What, if anything, can be concluded from these patterns of services and expenditures on behalf of SSI recipients? On the surface, it appears that California and Oklahoma have coped with diminishing resources by cutting back on the size of their active caseload rather than by shaving the average amount spent for case services. West Virginia, on the other hand, apparently has not had the luxury of a choice. It has had to cut back on both the size of its active caseload and the average amount it spends on each SSI recipient.

As much as we might like to, it is not possible to measure and fully explain how these different rationing strategies responsive to the Omnibus Budget Reconciliation Act of 1981 and the general loss of purchasing power due to inflation influenced the job placement and wage outcomes of SSI recipients. Interestingly, there was

no apparent impact on California SSI rehabilitants until 1983, at which time there was a 10-percent drop in the percentage of SSI recipients rehabilitated into jobs paying at least 150 percent of the SGA wage, and a sharp increase in the percentage closed out in unpaid work. In West Virginia, on the other hand, the impact was immediate and dramatic. The percentage of SSI recipients rehabilitated into jobs paying at least 150 percent of the SGA wage plummeted from 27.5 percent in 1981 to 1.4 percent in 1982 and 0.7 percent in 1983, with offsetting increases in the percentages ending up in unpaid work and jobs paying less than 25 percent of the SGA wage. But, unaccountably, the impact in Oklahoma was precisely opposite to the California and West Virgina experience: Closures into jobs paying at least 150 percent of the SGA wage rose from 15 percent in 1981 to 30.8 percent in 1982 and then dropped back to 24.9 percent in 1983.

While the available statistics by themselves do not fully explain these very different job placement and wage outcomes, State rehabilitation agency officials were able to provide at least partial answers. The very high and persistent unemployment (18 percent) in West Virginia has forced the State rehabilitation agency and its SSI clients to lower their job and wage expectations. A female SSI recipient in West Virginia has little choice but to return to housework after receiving rehabilitative services. Further, the loss of unconditional Federal reimbursement for services to SSI recipients has taken away the little incentive that existed to serve this very difficult population. The Republican administration in California, on the other hand, has placed high priority on reducing dependency through provision of rehabilitative services to SSI recipients. In Oklahoma, the apparent increase in the average case service expenditure among SSI recipients in 1983, despite the annual loss of about $1 million in earmarked Federal funds, was the result of closure in that year of two cases on each of which $50,000 had been spent in prior years. There was no known reason for the sudden rise in job placements paying at least 150 percent of the SGA wage.

The distribution of major disabling conditions in the State rehabilitation agency caseloads varies among States, and shows relative consistency from 1979 to 1981. Orthopedic handicaps and other physical conditions tend to dominate. After 1981, some shifting is evident in the relative percentages of the major disabling conditions found among SSI recipients receiving services from the State rehabilitation agencies. However, no common pattern emerges across the States for which we have data.

In Oklahoma, for example, after 1981, the percentage of mentally retarded persons slightly increased, while the percentage of mentally ill persons (primarily character/personality disorders) sharply declined. There were also a drop in the percentage of persons with cardio-pulmonary conditions, and an increase in the percentage of orthopedic conditions. In West Virginia, on the other hand, after 1981, there was a drop in the percentages of persons with mental illness, mental retardations, and orthopedic conditions, and an increase in the percentages of cardiac and circulatory, vision impaired, hearing impaired, and respiratory system conditions. In California, after 1981, the percentages of persons with deafness and physical conditions increased substantially, while the percentages

of mentally retarded persons and character/personality disorders declined.

Are higher wage outcomes associated with any of the major disabling conditions? Given the crudity of the disability classification scheme and the existence of many intervening factors, including the handicapped person's motivation, the utility of specific rehabilitation techniques and the skills of those who apply them, the availability of jobs paying varying wages in specific localities, etc.—it would be dangerous to generalize from the data of California, Oklahoma, and West Virginia. Of those SSI recipients who were rehabilitated into jobs paying more than 150 percent of the SGA wage, the percentages of the major disabling conditions represented were remarkably similar in all three States—about 45 to 70 percent from each disability class. This suggests that nobody simply on the basis of the type of major disabling condition should be denied access to vocational rehabilitative services. The decision must depend on a close look at each individual in relation to state-of-the-art rehabilitation technology.

Is this level of effort by State rehabilitation agencies on behalf of SSI recipients acceptable? Regardless of the level of effort, are the job and wage outcomes acceptable? If the U.S. Congress decides that its answer is "no" to either of these questions, it has at least two options at its disposal. It could go back to the provisions of the earlier Social Security Act, which paid for rehabilitation services to SSDI and SSI beneficiaries regardless of outcome, or it could modify the conditions for performance reimbursement so as to give the States greater incentive to invest in SSDI and SSI beneficiaries.

In our view, modifying the conditions of performance reimbursement is the better option. The Omnibus Budget Reconciliation Act of 1981 set too high a performance criterion in relation to the relative difficulty of enabling SSI recipients to obtain a job paying SGA or higher wages. In view of congressional intent that the maximum number of SSDI and SSI beneficiaries be rehabilitated into significant productive activity, allowing too low a performance criterion would not do, either. The compromise might lie in reimbursing State rehabilitation agencies for the full cost of placing rehabilitants into SGA-paying jobs and then reimbursing for annual post-rehabilitation or "follow-along" services up to some maximum percentage of the initial cost of attaining the SGA wage—say 10 percent.

This compromise recognizes that the SGA-paying job is the minimal acceptable performance and, instead of allowing the rehabilitant to "sink or swim," places a premium on sustaining him in it for as long as possible. It also recognizes that SSI recipients, by virtue of their history of tenuous attachment to the labor market—sometimes as the result of a physical or mental disability and sometimes for other reasons—are truly the most difficult to rehabilitate into jobs paying a living wage.

INNOVATIVE REHABILITATION TECHNIQUES

Despite the great difficulty involved in rehabilitating severely disabled persons—especially those who suffer mental impairments—significant progress has been made in fashioning rehabili-

tation techniques and strategies to enable such persons to achieve total or partial self-support through gainful employment. Finding and investing in cost-effective methods of preparing and placing severely disabled persons in nonsubsidized jobs paying a living wage deserves high priority in the national agenda. According to a recent report of the U.S. Commission on Civil Rights (1983), unemployment among severely disabled people has increased from a prerecession rate of about 45 percent to an estimated 50 to 75 percent. What is more, inability to perform regular, full-time work because of disability may be a minor part of the problem:

> Often the employer makes erroneous assumptions regarding the effect of a person's disability on his or her ability to perform on the job. In most cases the disabled person is never given the opportunity to disprove those assumptions; in some cases, the disabled person never knows why he or she didn't get the job (Kaplan, 1981).

This section describes some of the more promising developments and assesses their possible utility in rehabilitating SSI recipients with various types of disability. We shall consciously look for interventions that go beyond the traditional rehabilitation model of providing vocational training and other services with referral to perspective employers after the client is considered ready. We also believe that nonsubsidized work outside of the traditional sheltered workshop is the goal to shoot for, since sheltered workshops seldom prepare the disabled person for work in the real world, offer minimal wages and benefits, foster the community perception that disabled people are minimally productive, and themselves depend on heavy subsidies to survive. In our view, there is need to aggressively seek out employers who can offer suitable nonsubsidized work and to do whatever is necessary at the job site to assure sustained employment of the disabled worker.

Mental Illness

We start with the SSI recipient suffering a psychiatric impairment. As previously reported, 17.6 percent of the entire SSI caseload in 1975 had a diagnosis of mental illness. In 1980, 13.9 percent of all SSI recipients reported a mental health condition for which they received services (NCHS, 1984). The continuing disability investigations of the Social Security Administration (SSA) have heavily impacted this population with tragic results. But in fairness, we should note that the SSA's reaction to persons suffering psychiatric disorders is not unique. A considerable part of the problem is iatrogenic, i.e., caused by the practitioners who serve the mentally ill. Anthony, Howell & Danley (1983), for example, point out that the mental health system "has been something short of enthusiastic about the psychiatrically disabled person's work behavior." Instead of teaching clients the skills which will help them to be workers, too often clients are taught how to be clients. On the other hand, the vocational rehabilitation system very often expects psychiatrically disabled persons to be entirely "well" and free of symptoms before offering services.

Improving the employment prospects of psychiatrically disabled people will require changes in the attitudes and behavior of both mental health and the vocational rehabilitation systems. Making possible their economic survival in the community will require changes in how they are evaluated in the SSI eligibility determination process and CDI reviews.

The statistics highlight the magnitude of the challenge. According to the National Institute of Handicapped Research (1979):

> Although mentally disabled clients make up the largest number of cases eligible for vocational rehabilitation services, they have the least probability of success before and after rehabilitation.

Anthony, Howell & Danley's (1983) summary of the employment literature over the past 10 years indicates that earlier studies reported 20 to 30 percent of ex-mental hospital patients either working full time or employed at the time of followup; later studies suggest a 10 to 20 percent employment rate, but some report zero employment for patients who are targeted for deinstitutionalization. This is corroborated by State rehabilitation statistics which show a 3-percent decrease between 1973 and 1977 in the number of persons with a primary disability of mental illness who were vocationally rehabilitated. In sharp contrast, the number of vocationally rehabilitated spinal cord injured persons increased 400 percent during the same period. Increasingly, ex-mental hospital patients populate sheltered workshops, which were originally designed to serve mentally retarded and physically impaired individuals. In these workshops, ex-mental hospital patients earn an average of 45 cents per hour compared to $1.05 hourly earnings for other disabled persons.

On the basis of certain studies, Anthony, Howell & Danley (1983) stress the necessity of providing vocational rehabilitation services prior to cessation of symptomatology, and plead:

> If mental health workers wait until symptomatology decreases, if hospitals shut off work opportunities for hospital patients, if State rehabilitation facilities deny these clients services because they do not appear to fit into their system, then we are denying these clients their rights to rehabilitation (p. 41).

They go on to say that the vocational rehabilitation approach applicable to the psychiatrically impaired is not much different than that used with other disabled people, although there are some differences of emphasis. These differences involve:

> More time is needed to go through the process, because of the clients' vocational immaturity. More energy is needed to form a collaborative relationship with clients who are used to having things done *to* and *for* them rather than with them. More alternative vocational environments are needed to allow clients opportunity for reality testing and exploration. More strategies are needed for dealing with stigma against the psychiatrically disabled clients. More effort must be devoted to a deliberate refocusing of the helping process on the client's needed skills and envi-

ronmental supports rather than focusing on client pathology.

Certain psychosocial rehabilitation techniques, incorporating residential, social, and vocational programing as well as community outreach, may be cost-effective in restoring persons with histories of severe mental illness to work. But the evidence is scanty. Two programs—Thresholds in Chicago and Fountain House in New York—provide the best available information on what can be accomplished by committed and skillful mental health practitioners.

An economic analysis of the Thresholds program in Chicago showed that, 6 months after treatment ended, competitive employment was positively related to the length of program participation (Bond, 1982). Ninety-five percent of the sample of 101 chronically mentally ill persons was unemployed at intake. While 6 months may be too short a period from which to infer lasting employment results, the evidence suggests that the program participants had increased their employment potential, and did not suffer a significantly higher rehospitalization rate as a consequence of the increased stress associated with employment. The annual benefits from employment ($4,083 per client) outweighed the costs of rehospitalization ($962 per client) by $3,121 per client. The author concludes that more attention should be given to isolating client characteristics which predict vocational success in order to select good candidates and provide them with intensive vocational preparation, while shunting poor candidates into alternative programs aimed at preventing rehospitalization, education, and other therapeutic goals.

Since 1958, Fountain House in New York and an expanding number of rehabilitation programs throughout the United States have been demonstrating the utility of transitional employment for mentally ill persons. The Fountain House approach to transitional employment has the following features:

—All jobs are located in normal places of business, and pay at least the minimum wage.
—All job placements are in entry-level employment, requiring minimal training or job skills.
—No subsidy is provided to the employer for the wages paid to the transitional employee.
—The collaboration between the employer and the rehabilitation program is not a charitable act, but an arrangement of mutual benefit to both the employer and the employee.
—Job placements are maintained only if the individual meets the work requirements of the employer, and no lowering of work standards is permitted.
—Almost all jobs are shared on a half-time basis by two transitional employees.
—Some placements involve work by groups of two or more individuals.
—All placements, both individual and group, are designed as transitional, and last from 3 to 9 months.
—All jobs are allocated by the employer to the rehabilitation program, and the responsibility to select candidates to fill the jobs rests with the rehabilitation program.

—Transitional employment offers mentally ill persons the opportunity to work in entry-level jobs, either on a long-term basis or as preparation for eventual full-time employment without ongoing staff support; and
—Job failure is viewed as a legitimate experience on the way to eventual successful work adjustment (Fountain House, 1982).

With partial support from the projects with industry funds of the Rehabilitation Act of 1973, as amended, there were on December 31, 1983, 604 employers throughout the country providing part-time work opportunities to 1,409 psychiatrically disabled persons, whose total annual earnings amounted to $5,225,806. Also, 108 rehabilitation agencies operated transitional employment programs in 28 States and the District of Columbia. According to Dr. Thomas J. Malamud, research director of Fountain House, preliminary estimates put the average annual cost of providing follow-along services at $1,500 per transitional employee. More refined analysis of program costs is currently underway.

Mental Retardation

As previously reported, 13.1 percent of the SSI caseload in 1975 had a diagnosis of mental retardation. Accumulating evidence suggests that the "supported work" approach to rehabilitating the mentally retarded is both replicable and cost-effective. Very often, programs showing promising results are not sufficiently defined so as to permit replication by others. The STETS (structured training and employment transitional services) demonstration program was funded by the Ford Foundation and the Employment and Training Administration, Department of Labor, to "evaluate the potential for placing significant numbers of mentally retarded young adults with poor or no work histories into unsubsidized jobs" (MDRC, 1982). The five demonstration sites are located in New York, Cincinnati, St. Paul, Tucson, and Los Angeles, involving agencies with experience in providing vocational rehabilitation to handicapped persons.

The STETS program was mounted in the belief that large numbers of mentally retarded persons have potential for more substantial development and training than currently takes place, and that they can be prepared for jobs requiring more ability than those into which they are typically placed by sheltered workshops, vocational rehabilitation agencies, schools, and other providers of vocational services to the mentally retarded.

The STETS model consists of three phases: (1) Assessment and work readiness training, (2) transitional services, and (3) post-placement support services. The first phase, lasting no longer than 500 hours, provides training and support services in a low-stress environment to impart the basic work habits, skills, and attitudes needed eventually in a more demanding work environment. Phase 1 participants engage in at least 20 hours per week of productive work, and spend additional time in travel training, world-of-work orientation, and other activities geared to placement in a phase 2 job.

Phase 2 participants work at least 30 hours per week in jobs with local employers who have agreed to hire them as regular employ-

ees after they have satisfied the demands of the job and have reached the required level of productivity. While phase 2 jobs may be partially subsidized by the STETS program, the local employer is expected to pay a substantial part, sometimes the entire wage. During phase 2, the STETS program continues to provide counseling and support services to the participants, and assists line supervisors in establishing good working relationships between the participants and their coworkers.

Phase 3 participants become regular, unsubsidized employees of the local employer. Phase 3 begins when the employer is receiving no financial subsidy from STETS; counseling and other direct services can be curtailed; and the employer, the participant, and STETS agree that the training period has been satisfactorily completed, and the participant can become a permanent member of the employer's work force. STETS provides up to 6 months of postplacement support services, including tracking the progress of the participant and developing any needed linkages with local service agencies in anticipation of complete withdrawal.

The following information was obtained by telephone form Michael Bangser, the Manpower Demonstration Research Corp. (MDRC) project director of the STETS program.

The STETS program was to be a 3-year demonstration, involving a total of 1,000 mentally retarded persons in an experimental study design-one-half randomly allocated to the program treatment and the other half to a control group. As the result of budget constraints, the program and study design were limited to a total sample of 470—one-half program participants and the other half controls.

The STETS program began in the fall of 1981 and operated during the worst of the recent economic recession. It reached a maximum of 40 to 50 program slots in each of the five sites. The program participants were mildly retarded (average IQ of 64); averaged 20 years of age; 44 percent were nonwhite; 42 percent had multiple handicaps; about 75 percent were living with their parents or relatives at the time of enrollment; very few had "mainstream" schooling experience; and 33 percent were receiving SSI or SSDI because of their handicapping conditions.

Although the structured training component ran smoothly, job development was a problem in terms of obtaining appropriate and timely job opportunities for program participants because of the recession. Nevertheless, 40 percent of the participants were placed in competitive jobs paying an average hourly wage of $3.68—33 cents higher than the $3.35 minimum wage. Some of the unsuccessful cases were placed in less than minimum wage and sheltered workshop jobs. At 6 months followup, only 13 percent of the control group was in regular employment. The total program cost, including the extra costs at each site of implementing the research protocol, was about $5,800 per participant for 7 to 8 months of services. While not cheap, this cost must be compared with the $6,000 annual subsidy cost of a sheltered workshop slot in New York during the time of the demonstration.

A full cost-benefit analysis is underway, and is scheduled for completion by April 30, 1985. The implementation report describing

how to operate a supported work program will be completed by May 1984.

Several participants in the course of their training received letters from the SSA—first informing them of the loss of SSI eligibility and later asking them to repay the benefits they had received. For a time, this caused great upset and confusion among the participants, their families, and STETS staff as well as doubts about how to respond—to keep on trying or give up the struggle for economic self-support. The STETS program was eventually able to negotiate with SSA continuation of the SSI payments in question. But there is still concern that this accommodation might later make the STETS participants liable for paying back the benefits they received after SSA notification of ineligibility for continued SSI payments.

In view of the length of time it takes to prepare and settle many severely disabled persons in nonsubsidized employment paying at least the minimum wage, it would make sense to modify the trial work period by increasing its threshold of $75 monthly earnings and extending its length beyond the current nine consecutive or nonconsecutive months.

This is an issue that will be discussed later in connection with proposals to modify and make permanent sections 1619(a) and (b). But at this point, suffice it to say that changing the definition of the trial work period as suggested here would eliminate the problem which the STETS participants receiving SSI encountered.

Hill & Wehman (1983) have documented the utility of the supported work model underlying "project employability," which was responsible for preparing and placing 90 moderately and severely handicapped persons into competitive employment in the course of nearly 4 years. Their cost-benefit analysis focuses on the amount of public money saved as a result of the program activity, and reports a net savings to the taxpayer of $90,376—the difference between $620,576 in public funds that would have otherwise been spent and program costs of $30,300. The cumulative earnings of the 90 clients exceeded $500,000.

A closer look at the achievements of "project employability" is instructive. Table 7 provides cumulative client data from May 1978 to December 1983 relating to the disabilities, rehabilitation agency status, and the work status of 145 clients placed into competitive jobs. Nearly 50 percent of the number placed into competitive employment are presently employed; 18 percent have resigned; 11 percent have been layed off due to economic conditions; and 21 percent were terminated by the employer. More revealing than the reported disability level at the time of placement is the State rehabilitation agency assessment of severity: 30 percent were considered too severely disabled to achieve a vocational objective and hence unfeasible for State agency services; with a single exception, the rest were rated "severe." The median IQ of these clients was 48, yet most of them were able to work quite well in the hotel and restaurant industry.

Table 7

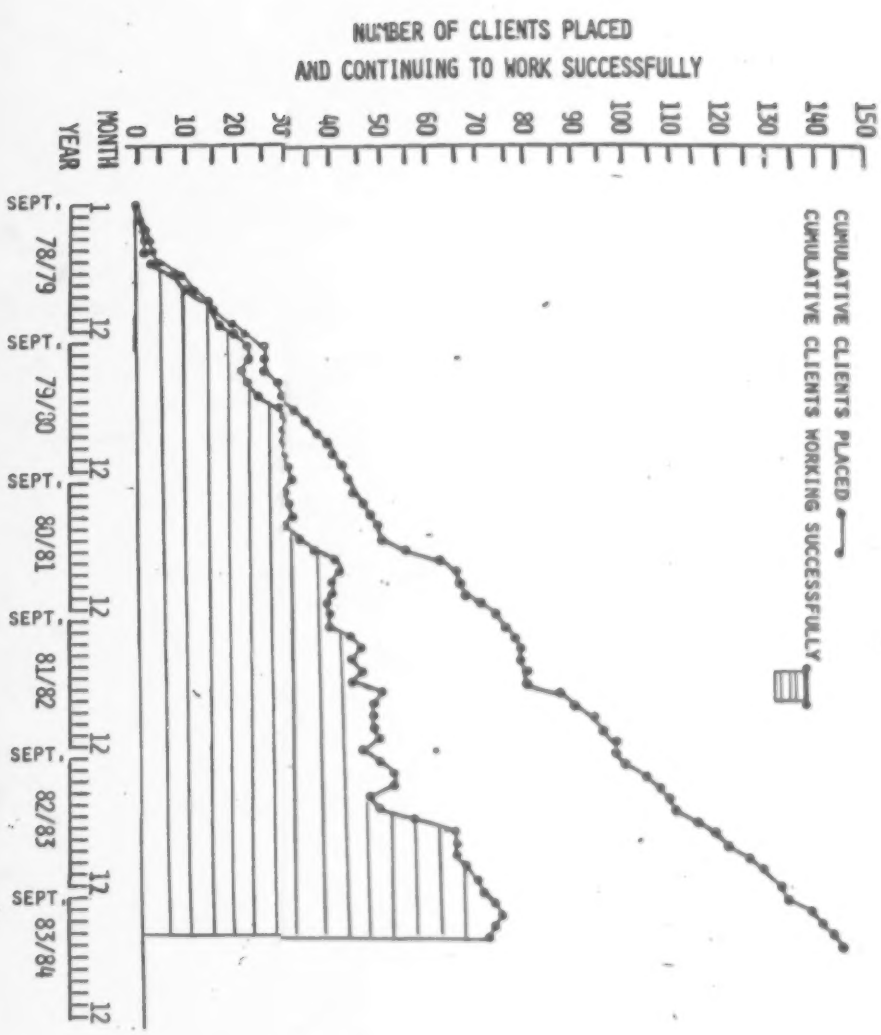
Cumulative Data
Disability, Rehabilitation Status, and
Present Work Status: 145 Clients Placed
Into Competitive Jobs May '78 through Dec '83

Reported Disability at Placement Date	Number Placed Into Competitive Jobs	Rehabilitation Department Status at Placement	Present Work Status[1]				
			PE	R	LO	T	LA
Mildly Mentally Retarded	16	Severe - 10 Non-severe - 1 None[2] - 5	9	2		4	0
Moderately Mentally Retarded	69	Severe - 45 None - 24	34	9	9	16	1
Severely Mentally Retarded	4	Severe - 2 None - 2	3	0	0	1	0
Multiple Disabilities	54	Severe - 42 None - 12	24	15	5	10	0
Other: Behavior Disorders	2	Severe - 2	1	0	10	0	0
TOTALS	145	Severe - 101 Non-severe - 1 None - 43	71	26	16	31	1

[1]PE - Presently Employed
R - Resigned
LO - Layed Off
T - Terminated
LA - Leave of Absence
2 - Rejected as unfeasible for State agency services.
Source: VIRGINIA COMMONWEALTH UNIVERSITY. Year 2 continuation proposal for research and training center to NIHR. Richmond: Author, January 1984.

Figure 1 shows the patterns of placement and retention over the life of "project employability," and table 8 indicates the level of effort that went into achieving the outcomes. The average total cost per client, including training, placement, ongoing assessment and followup, was $3,500. Clients presently working received, on average, about 40 more hours of intervention than those not working. The 145 clients earned $928,882 for an aggregate of 2,185 months of work. While clients presently working were responsible for the bulk (73 percent) of the total earnings, those not working accounted for a sizable amount. Clients presently working were on the job an average of 23 months, and those not working were employed an average of 8 months.

Figure 1



Source: VIRGINIA COMMONWEALTH UNIVERSITY. Year 2 continuation proposal for research and training center to NIHR. Richmond: Author, January 1984.

Table 8

Cumulative Client Employment Information

Intervention, Months Worked, Wages

Sept. 1978 - Dec. 1983

	Clients Presently Working (71)	Clients Placed But Not Currently Working (74)	All Clients (145)
Total Intervention	14,033 hours	11,615 hours	25,648 hours
Average Intervention Per Client	198 hours	157 hours	177 hours
Total Wages	$ 681,768.00	$ 247,114.00	$ 929,882.00
Total Months Working	1625	560	2185
Average Months Working Per Client	23	8	15

Source: VIRGINIA COMMONWEALTH UNIVERSITY. Year 2 continuation proposal for research and training center to MIHR. Richmond: Author, January 1984.

Considering the stereotypical thinking about the employability of the moderately and severely mentally retarded, "project employability" is a remarkable achievement. But it need not remain an isolated one. The techniques of supported work are replicable anywhere. Revell, Wehman & Arnold (1983) report the existence of other sites in Vermont, Washington, Ohio, Illinois, and Massachusetts where the supported work model is being successfully employed, and argue that "State vocational rehabilitation agencies must now take the lead in integrating the supported work model into community services if the Federal-State VR program is to fulfill its responsibility as the public program responsible for the employment of persons with severe handicaps."

Generalizability of the Supported Work Model

Should the availability of the supported work model of rehabilitation be expanded throughout the country? Will it work as well with severly disabled people with conditions other than mental retardation? Where can the needed funds be found for program expansion and controlled studies of its cost effectiveness across the disability spectrum?

Although the SSA is just now launching a major controlled study of the benefits and costs of the supported work model in relation to mentally retarded people, it will be several years before the results become available. In the meantime, no such studies are being planned to test the supported work model's cost affectiveness in relation to other handicapping conditions. In our opinion, the sheer logic and pragmatism of the supported work model argues for piloting it across the spectrum of major handicapping conditions with encouragement of adaptations to satisfy any idiosyncratic features of these conditions.

With respect to the mentally retarded population, there is little to lose by encouraging State rehabilitiation agencies to purchase from providers services which are organized along the lines of the supported work model. Similarly, there may be advantage to having vocationally oriented special education programs test the model as an alternative to current practice, about which very little is known as to productivity. In school year 1980–81, only 543,213 (3.3 percent) of 16.3 million handicapped children in the Nation's schools received vocational education (U.S. Department of Education, 1984). The intensity and duration of the exposure are unknown—possibly varying from a few weeks to 2 or more years. One is struck by the opportunities for vocational training that are being lost by this apparently tiny school investment. In Yugoslavia, vocational training and summer apprenticeships begin for mentally retarded youth as early as 14 years of age, and make possible a smooth transition into the real world of work.

There are several ways to go in securing funding. Revell, Wehman & Arnold (1983) identify five options:

—Redirection of funds now spent by State rehabilitation agencies in purchase-of-service arrangements that lead to noncompetitive employment.

—Reorienting sheltered workshops to provide supported work job placement and followup services.

—Use of Job Training Partnership Act (JTPA) funds to support training and employment staff and to pay for such client-related expenses as assessment, wage subsidies for on-the-job training, and transportation.

—Increase and apply projects with industry (PWI) funds of the Rehabilitation Act of 1973, as amended, to incorporate the compatible supported work methodology into the PWI program; and

—Encourage cooperative programing ventures which combine JTPA, State and local mental health and mental retardation, and Federal-State vocational rehabilitation funds in underwriting supported work projects.

Other possibilities lie in earmarking funds within the discretionary special project and R. & D. authorities of relevant Federal programs; e.g., part A, subpart 3 of the Vocational Education Act, which supports program improvement and supportive services, as well as section 103 and part B, subpart 2, which funds programs of national significance; section 311(a)(1) of the Rehabilitation Act of 1973, as amended, which supports projects for the severely disabled; and section 301 of the Public Health Services Act, which authorizes research and demonstration activities.

Sources of support for research into the cost effectiveness of the supported work model in relation to persons with disabling conditions other than mental retardation can be found in the program and budget authorities of the National Institute of Handicapped Research (NIHR) and the National Institute of Mental Health (NIMH). In passing, it must be said that very little of the millions of dollars currently being spent for research by NIMH help service providers to do a better job with the mentally ill. Aside from a cure for mental illness, nothing more beneficial for society could be found than discovery of cost-effective ways to place and sustain severely mentally ill persons in jobs permitting total or partial self-support. Higher priority than is now given should go to reducing the substantial burden of dependency which this population imposes on taxpayers who must pay for their income support and the services provided by Federal, State, and local governments.

Employer Incentives

Hill & Wehman (1983) report the utility of the targeted jobs tax credit (TJTC) program in gaining access to jobs for moderately and severely mentally retarded persons. Many employers are hesitant to work with handicapped individuals, but the TJTC program offers financial motivation to give it a try. Once the handicapped worker has demonstrated that he or she can do the job, the satisfied employer often becomes an advocate of hiring the handicapped. In fiscal year 1983, more than 1.2 million vouchers of eligibility were issued, as well as 431,182 certificates authorizing tax credits of 50 percent of the first $6,000 of the qualifying worker's first year earnings and 25 percent of the first $6,000 of the second year earnings. The TJTC program provides a potential $4,500 tax credit for each eligible worker.

The TJTC program expires in December 1984. Senator John Heinz has introducted S. 2185 with 25 cosponsors to extend the

TJTC program. Favorable action by the Congress is essential to the job finding and placement efforts of all rehabilitation agencies, including those which apply the supported work model.

SUGGESTED CHANGES IN FEDERAL PROGRAMS

The U.S. Congress over the years has sought ways to encourage persons who receive benefits under the SSI, SSDI, medicaid, and medicare programs to return to work. As a result, although these programs still retain major disincentives to work, they also contain features designed to offset these disincentives. Many of the changes that will be suggested here do not represent major departures from the existing programs but instead extend or modify the reforms that the Congress has already introduced. Suggested changes of the provisions of the SSI and abutting programs are grouped by the rationale for their adoption.

Enhancing the Economic Status of Disabled Persons

It seems obvious that disabled persons who give up their SSI benefits and return to work should end up with a significant net increase in their disposable income. Otherwise, why bother? Unfortunately, the rules governing SSI virtually assure that some recipients who return to work will end up with a very small increase in disposable income over the public payment they would continue to receive from not working.

The SSI recipient's return to work causes three things to happen, all of which affect disposable income. First, the worker becomes liable, depending on the level of earnings, for payment of Federal and possibly State and local income taxes. SSI benefits, on the other hand, are not taxable. Second, the worker may begin to incur work expenses. Some expenses are normal (e.g., work clothes, bus fare, and lunches), while others are unusual and casued by the disabled worker's impairment. Third, the recipient who returns to work faces a reduction or termination of benefits.

Prior to 1981, the disincentives for SSI recipients to return to work were often substantial. Then as now, the procedure for determining the amount of the payable monthly SSI benefit was to disregard the first $20 of income from any source, and to disregard the next $65 of income if it was obtained from earnings. Thereafter, benefits are reduced by $1 for every $2 of earnings. At some level of earnings, the Federal SSI payment ceases. Based on the SSI beneft levels prevailing in 1984, the so-called Federal breakeven point, where SSI payments cease, is $713 per month in the case of a single individual (even if there is no income other than earnings), and $1,027 per month in the case of an eligible couple.

Prior to 1981, after an SSI recipient began to work, he or she would be placed on a 9-month trial work period. If the recipient was gainfully employed and earning more than $300 per month at the end of the trial work period, SSI payments would cease.

Let us consider two cases based on the benefit levels prevailing in 1984 but using the benefit determination rules which existed prior to 1981. The first case involves an SSI recipient who accepts a job paying $250 per month, and the second relates to an SSI recipient who accepts a job paying $350 per month. At the end of the

trial work period, the higher paid worker would lose the entire $314 SSI payment and end up with a net increase in gross income of only $36 ($350−$314). The worker making $250, on the other hand, would still receive an SSI payment of about $232 [$314−(($250−$85)/2)] and end up with a gross income of $482 ($232+$250). The lower earning recipient would actually end up with $132 ($482−$350) more than the higher earning recipient.

Clearly, any rational SSI recipient would choose the job paying the lesser wage, if possible. If only the higher paying job were available and its terms could not be altered, it is doubtful that the recipient would feel the job was worth accepting.

The actual work disincentives in 1980 were even greater than indicated by this example. Out of the net increase in income, the SSI recipient/worker must pay any Federal, State, and local income taxes for which he or she is liable, as well as any work expenses incurred. These work expenses can really amount to a great deal. Some disabled persons require the assistance of an attendant to get to and from work and sometimes to assist while at work. Even normal work expenses can become burdensome, depending on the costs of transportation, whether lunches must be purchased or not, wear and tear on clothing, wheelchair repairs, etc. Such work expenses become especially heavy in the case of a disabled woman who must pay for child care in order to work.

Section 1619(a) of the Social Security Disability Amendments of 1980 ameliorated some of these problems by initiating a 3-year demonstration program which continued SSI payments to working recipients whose earnings were below the Federal break-even point. The recipient making $350, for example, would continue to receive an SSI payment of about $182 and enjoy a gross income of about $532. This amount would seem to provide a reasonable incentive work, unless taxes and work expenses consumed too large a portion of the $218 income increase over the $314 benefit.

OPTIONS

(1) Consider extending and making permanent the 3-year demonstration program authorized by section 1619(a). There is little reason why this provision of the Social Security Disability Amendments of 1980 should not become a permanent feature of the SSI program.

(2) Consider permitting a disregard for child care in the case of women with children under the age of 6, or who have a disabling condition that requires extra attention. A limit of $50 per month for each child would seem to be a reasonable amount.

(3) Consider allowing, subject to documentation, normal work-related expenses also to be disregarded when calculating benefits up to a limit of 10 percent of earnings—not just extraordinary work-related expenses as provided for by Section 1612(b)(4)(B) of the Social Security Disability Amendments of 1980. The 10 percent figure is arbitrary and, along with the disregard for child care, may need to be revised as better information becomes available on actual costs.

(4) Consider permitting, subject to documentation, all income used to pay for attendant care, special supervision, meal prepara-

tion, or any other special and necessary expense related to the disability, to be disregarded when determining net income for purposes of calculating the SSI benefit—not just extraordinary work-related expense, as cited above.

Income Security

Most people are as concerned about assuring a secure source of income as they are about increasing it. This is true not only for workers who stress the importance of seniority but also for presidents and vice-presidents of companies who seek long-term job contracts with bailout provisions. For the same reason, college professors eagerly seek tenure. It is no less true for severely disabled persons who often are offered jobs that are low paying and insecure.

The Congress began to cope with this issue in the 1980 Social Security Disability Amendments by providing a 15-month reentitlement period at the end of the trial work period, during which time the recipient would be automatically reentitled to SSI benefits if the work attempt proved unsuccessful.

OPTIONS

The present 15-month reentitlement period after the tolling of the trial work period is not sufficient to allay the fears of some SSI recipients; hence, it is appropriate to consider lengthening the reentitlement period. In fact, after a person has been judged too severely disabled to work, it is reasonable to assume that, even if he or she returns to work, there is always a substantial risk of that person having difficulty in securing another job if the present job is lost for any reason. Unless there is evidence of medical recovery or error in the original determination, it is not unreasonable to extend the reentitlement period throughout the disabled person's lifetime. The money spent on periodic redetermination of eligibility would be better spent on assisting the disabled person to find and hold onto a job.

Health Care

The loss of needed health care coverage can be a powerful disincentive to work. For some disabled persons, the ongoing cost of health care is as much, and sometimes more, than the amount of SSI benefits received. Other disabled people are at considerable risk of high and unexpected medical bills. The problem is complicated by the fact that some SSI recipients who return to work will be unable to obtain health care coverage either as a fringe benefit where they work or as an individual because some insurance companies will not cover people with certain types of preexisting conditions.

Prior to 1981, recipients who lost their entitlement to SSI benefits would often also lose their entitlement to medicaid, although some States maintained a "working poor" program to pay the medical expenses of working people unable to afford them. Section 1619(b) of the 1980 Social Security Disability Amendments, however, authorized a 3-year demonstration program to provide medicaid coverage under certain conditions to SSI recipients who return to

work, even if their earnings exceed the Federal break-even amount and cause them to lose eligibility for cash payments.

OPTIONS

(1) As in the case of the 3-year demonstration program providing special cash payments, the provision for extended medicaid coverage under section 1619(b) should be made a permanent feature of the SSI program.

(2) Consideration should also be given to providing lifetime reentitlement rights to persons who have been judged too severely disabled to work, unless there is medical recovery or an error in the original disability determination. Such persons will often always be at risk of not qualifying for adequate health care coverage, even if temporarily employed and able to purchase it for themselves. They may lose their coverage through unemployment, change of jobs, or the worsening of their medical condition. This kind of reentitlement provision will make SSI recipients less unwilling to give up medicaid coverage by accepting a job which provides some degree of health insurance protection, since they will know that they can fall back on medicaid coverage if the need arises.

(3) Current regulations limit eligibility for medicaid coverage under the 3-year demonstration program authorized by section 1619(b) to persons whose total income does not exceed the combined total break-even amount for the Federal SSI, the State supplementary payment, and the average medicaid expenditure for disabled SSI recipients in the State. This creates obvious inequities between States which offer high and low supplements. In addition, persons with high medical costs and earnings which exceed the combined total break-even amount may be denied the extended medicaid coverage and thus have an incentive to either scale back work efforts or cease working entirely.

Consider, therefore, extending medicaid coverage to all former SSI recipients who, because of their disabling condition, are unable to obtain private health insurance coverage. In this connection, it would make sense to require SSI recipients with incomes above the Federal break-even amount to make a payment, in lieu of the insurance premium that they would normally pay, to help finance the medicaid program. If this payment is based on a sliding scale, then consideration should be given to requiring it as well from SSI recipients whose incomes fall below the Federal break-even amount.

These options, if adopted, would make it possible for Wendy P., whose case was described above, to return to work. Wendy P. is one of the obvious cases of a person whose income would be too high to qualify for the extended medicaid coverage under current regulations, but whose health care expenses would overwhelm even the substantial salary she would receive if she returned to work. These options, if adopted, would enable her to become a substantial contributing member of society, both sharing in the cost of her care and reducing the amount that society must spend on her. Wendy P.'s medicaid benefits would continue, and she need not fear the effects of a loss of medicaid protection 5 or 10 years from now.

Preventing SSI Dependency

There are a number of features in the current SSI program that encourage people to seek SSI eligibility before returning to work. That one must be a former SSI recipient in order to become eligible for the special cash benefits under section 1619(a) or extended medicaid coverage under section 1619(b) provides an incentive to seek SSI eligibility before returning to work. That work-related expenses, whether normal or impairment-related, are not considered when determining eligibility for SSI also creates an incentive to seek SSI eligibility before returning to work. The options for preventing SSI dependency have as their common objective reward of continuing work efforts in face of severe disability.

OPTIONS

(1) Consider creating a national "working poor" medicaid program that would cover both former SSI recipients and other persons who find themselves in similar straits with respect to income and/or asset limitations when seeking health insurance coverage.

(2) Consideration should also be given to making persons eligible for SSI if they have a severe disability, meet the asset test, and their income falls below the Federal break-even amount.

(3) When evaluating whether a person is eligible for SSI, work-related expenses should be disregarded on the same basis as impairment-related expenses are in determining the amount of the SSI payment. At present, only impairment-related work expenses are disregarded when determining the amount of the SSI payment. Curiously, these expenses are not disregarded when determining SSI eligibility—thus creating obvious inequities. We recommended earlier that normal work expenses be disregarded for SSI recipients, subject to certain limitations, and we believe that the same disregard should be extended to SSI applicants.

Attitudes

It is unfortunate that an SSI applicant must convince the State disability determination unit of his or her inability to engage in substantial gainful activity (SGA) employment in order to be declared eligible for SSI. The very application process, which often takes 2 months and more, is harmful to the applicant's attitudes toward work. During the phase, the applicant is focusing on all the negative aspects of his or her condition. What is more, the applicant will be encouraged and coached by social workers, family, and others to prove that he or she cannot work. After eligibility is established, many SSI recipients and others around them are convinced that they cannot work. Thus, the application process becomes a self-fulfilling prophecy.

OPTIONS

Consider eliminating the emphasis on proving that an applicant cannot work. Instead, require applicants to prove that they have great difficulty in obtaining employment because of their disabling condition. In this approach, eligibility can be granted without assuming that until work disability has been proven, there is no

point in providing vocational rehabilitative services. In fact, it would make sense to require that vocational services be accepted as early in the application phase as possible, and a concerted effort be made by the State rehabilitation agency to return the person to work.

Trial Work Period

Currently, any month in which an SSI recipient earns more than $75 must be counted as part of the consecutive or nonconsecutive 9-month trial work period. If the demonstration programs for special cash benefits and extended medicaid coverage under sections 1619(a) and (b) are continued, then the trial work period has much less significance for SSI (although it still is extremely relevant for SSDI). The trial work period is still relevant for the SSI program insofar as it is the basis for determining when to terminate a person from the SSI rolls after eligibility for cash payments has ceased. An SSI recipient who returms to substantial work before beginning a trail work period has a 24-month period in which he or she will be automatically reinstated to SSI if the work attempt fails. In contrast, an SSI recipient who begins substantial work after using up the trial work period has only a 15-month period for reinstatement. At $75 per month earnings, the trial work period can be used up through employment for a few hours a month (e.g., 40 hours at the SGA hourly wage of $1.88) in a sheltered workshop.

OPTIONS

(1) Consider not counting a month as part of the trail work period unless the SSI recipient has 160 hours of earnings at least equal to SGA, currently $300 per month. But since this definition of SGA is only 56 percent of the Federal minimum wage, a better approach might be to count a month as part of the trial work period only if earnings are equal to full-time earnings at the Federal minimum wage level, i.e., $536 per month.

(2) If the options for extending section 1619(a) and lengthening the 15-month automatic reentitlement period are not acceptable, consider instead lengthening the trial work period and/or making the months run consecutively only rather than either consecutively or nonconsecutively as they now do, so as to improve the stability of the handicapped worker's employment before terminating SSI.

Services

To get SSI recipients back to work will often take more than simply removing the work disincentives that exist. Full and unambiguous knowledge of the provisions of the SSI and abutting programs must be had by potential eligibles and the social service community which serves them. Nonadversarial and cooperative relationships must be forged between the SSA district offices and State rehabilitation agencies. If there is to be any meaningful impact on the SSI caseload, the supply must be expanded of cost-effective rehabilitation techniques and strategies for training and placing SSI recipients in nonsubsidized jobs paying a living wage.

OPTIONS

(1) We recommend, as first priority, adoption of the remedies contained in H.R. 3755 in order to protect due process, improve the accuracy of disability determinations, and minimize the frictional costs of administering the SSI program, with revisions to refocus continuing disability investigations so that their primary objective becomes assessment of work capacity and referral for appropriate and adequately funded rehabilitative services rather than termination from the SSI rolls.

(2) The 3-year demonstration program providing special cash benefits and extended medicaid coverage under sections 1619(a) and (b) did not reach many people because its provisions were not widely known. If the Congress elects to extend this program, we recommend that it mandate an accompanying strong public information campaign as well as extensive training for SSA district office personnel to assure ample knowledge and active outreach to SSI recipients and applicants.

(3) We also recommend that a stronger emphasis be placed by the SSI program on the provision of cost-effective rehabilitative services such as the transitional employment and supported work approaches described above. Closer relationships should be forged between SSA district offices and the State rehabilitation agencies.

(4) Consideration should be given to modifying the conditions of performance reimbursement under the system created by the Omnibus Budget Reconciliation Act of 1981 so as to give State rehabilitation agencies greater incentive to invest in SSI recipients. Federal regulations for the Federal-State rehabilitation program require only a 2-month followup after job placement before declaring service recipients to be "rehabilitated." Under the rehabilitation financing provisions of the Omnibus Budget Reconciliation Act of 1981, payment for services will not be made until the SSI recipient has remained on a job paying the SGA wage for 9 months. This hiatus between the time resources are expended and the time reimbursement is made causes budget problems for State rehabilitation agencies. We recommend payment for services, either at the time that placement is made in a job paying the SGA wage or after a 2-month followup, with additional allowance of up to 10 percent per year of the original case service expenditure for post-placement or supported work services. As documented above, the structured training and supported work approach appears to be more cost-effective than other techniques for placing and maintaining severely disabled people in nonsubsidized employment paying significant wages.

(5) Consider expanding the availability of the supported work model for mentally retarded persons throughout the country by redirecting the use of existing program authorities and budgets, as well as mandating increased R. & D. efforts to test its cost-effectiveness for severely disabled persons other than the mentally retarded. We cited earlier several relevant sections of the Rehabilitation Act of 1973, as amended, the Vocational Education Act, and the Public Health Services Act that might accommodate this recommendation.

(6) We recommend that the Congress amend the Education of All Handicapped Children Act (Public Law 94-142) and the Vocational Education Act so as to increase the provision of vocational education services to handicapped children in the 14 to 22 age range. As indicated above, only 3.3 percent of the Nation's handicapped children in special education programs receive vocational training, and thus are ill-prepared to enter the world of work after leaving school. It is far simpler and more cost-efficient to provide vocational training in the schools than trying to do so after years of opportunity have been lost.

(7) We believe that periodic reevaluation of SSI recipients should continue, but with a different focus. Instead of concentrating on ineligibility for SSI, the focus should be on assessing whether the recipient is capable of work, and, if so, on assuring that appropriate services are provided. Such a reorientation of the continuing disability investigations conducted by the SSA would do much to end the strong criticism of its current practices. In this way, reduced dependency on public funds can be achieved without doing harm to vulnerable people.

(8) Some seriously disabled people require special services in order to return to work. Some must have a personal attendant at all times; others need only a person to drive them to and from work. Although SSI recipients who return to work may be able to pay for some of these extraordinary work-related expenses, in many instances they will not be able to pay for all.

Consideration should be given, therefore, to having medicaid pay that portion of the costs of these services when the SSI recipient is unable to pay and yet needs them in order to return to work. A sliding scale could be established for defining how much the SSI recipient/worker will share in the costs of these services at different levels of income.

Section 1620 of the 1980 Social Security Disability Amendments established a pilot program with optional State participation, which if funded, would have satisfied the needs of nonrecipients whose ability to continue employment is jeopardized by lack of sufficient income to pay for the requisite services. At a minimum, we recommend that the Congress revise section 1620 to include coverage of SSI recipients like Wendy P., appropriate sufficient funds to make it worthwhile for the State to participate, and mandate its implementation together with careful evaluation of the effects by the Secretary of the U.S. Department of Health and Human Services.

Employer Incentives

The targeted jobs tax credit (TJTC) program has been notably successful in motivating employers to offer severely disabled persons a chance to prove themselves in the competitive labor force. It will expire in December 1984.

OPTIONS

The Congress should extend the TJTC program by enacting the provisions of S. 2185.

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Chapter 4

HOW EFFECTIVELY DOES SSI GUARANTEE MINIMUM INCOME FOR THE LOW-INCOME AGED?

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INTRODUCTION

Neither the problem of low income during old age nor Federal efforts to combat this problem are new phenomena. Legislation enacting the old age survivors insurance program (OASI) and authorizing grant-in-aid funding to the States for the creation of residual programs of aid to the aged (OAA) will celebrate its 50th birthday next year (1985). The supplemental security income program (SSI), a program of federally financed and administered uniform cash grants to the aged, blind, and disabled is a decade old this year. Indeed, when the combination of OASI, SSI, medicare, and reduced tax liabilities is considered, the aged stand out among all other adult categories of the population as a favored target of Federal income maintenance legislation.

These efforts have not been in vain. Since the U.S. Census Bureau first began to count the poor in 1959, the percentage of the aged population whose cash incomes fall below official poverty thresholds has fallen from 35.2 percent to 14.6 percent in 1982. Within this period, the greatest improvement occurred between 1959 and 1974: the incidence of poverty fell by 59 percent.[1] In the 10 years hence the incidence of cash poverty has fluctuated within the narrow range of 13.9 to 15.7 percent, peaking in 1980 (U.S. Bureau of the Census 1983).

At first blush, the stability of poverty among the aged since the advent of SSI is surprising. Congress enacted SSI in 1972 in recog-

[1] The accuracy of these statistics in describing changes in the economic status of the aged through time has been attacked in the literature from two opposing perspectives. According to on view, because the poverty rates cited above are based exclusively on cash income and ignore the contributions to economic well-being of in-kind transfers such as food stamps, medicare, and public housing, they overstate the true incidence of poverty among the aged (Smeeding 1977; U.S. Congress 1977a; Watts and Skidmore 1977; Hoagland 1982). Inclusion of these in-kind tranfers has been shown to reduce poverty among the aged by as much as 74 percent in any 1 year. In addition, inclusion of in-kind transfers in the definition of incomes apparently increases the rate of poverty reduction over time. Measured over the period since the adjusted poverty rates first appears (1972) through the most current estimates (1980), the reduction in poverty appears to be 25 percent (Smeeding 1981). The decline in poverty for the same period considering cash income only is 16 percent.

Expressing an opposing view, Moon (1979) argues that poverty rates based on income measures adjusted for in-kind tranfers dramatically understate the incidence of poverty in any 1 year because the measure of needs to which these expanded income measures are compared is not equally comprehensive. Moreover, she concludes that the poverty reduction occurring across time is substantially less pronounced than these statistics indicate. Even so, the progress against poverty among the aged has been substantial since 1959, inas much as the oldest of in-kind programs, food stamps, was not available to significant numbers of the aged poor until 1964.

nition of the inadequacy of OASI and OAA as antipoverty instruments. Although OASI was regarded primarily as a mechanism for earnings replacement with benefits tied to contributions made during the individual's work life, a progressive benefit schedule and a minimum benefit served the secondary objectives of poverty reduction and income redistribution. State OAA programs were intended to provide needed income support to persons not covered by OASI. But the economic situation of the aged in the late 1960's and early 1970's spoke ill of these programs as a solution to the problems of poverty during old age. Despite Federal expenditures to the aged of $47.2 billion (representing 59 percent of total Federal income security cash outlays), nearly 22 percent of all aged persons reported cash income below poverty levels in 1971 (Special Analyses of the United States, Fiscal Year 1973, 1972: 187, 188; U.S. Bureau of the Census 1983).

Implemented in 1974, SSI was heralded as "* * * the most fundamental new departure in U.S. public welfare policy since the 1930's" (Bickle and Wilcock 1974: viii), and expectations that the problem of poverty during old age was vanquished once and for all were sown. But, as shown above, during the next 10 years, the percentage of the aged population living in poverty remained roughly constant; in 1982, 3.75 million aged persons had cash incomes insufficient to attain the "minimum adequate 'American style' diet" as defined by official poverty thresholds.

Has SSI failed in its objectives? Or did false expectations surround the program preordaining its failure? What is SSI's maximum potential effectiveness in alleviating the problem of poverty during old age? Is SSI fulfilling this potential? If not, what are the dimensions of the remaining problems and what options are available to address it?

This chapter attempts to answer these questions beginning with an examination of the features of SSI unique to that program in 1974. We conclude that it was the Federal Government's assumption of responsibility for the financing and disbursement of a nationally uniform mimimum cash grant to all aged persons meeting nationally standardized eligibility criteria which earned SSI the title as the "most fundamental new departure of U.S. public welfare policy since the 1930's," rather than the generosity of these cash grants or promises to eliminate poverty. In this light the expectation that SSI can solve the problem of poverty during old age is unrealistic. A simple simulation model which assumes that all persons eligible for SSI receive it is analyzed to determine the maximum effectiveness of SSI in eliminating poverty. This model and all subsequent empirical analysis are based upon data from the March 1979 Current Population Survey.

In the section on the actual antipoverty effectiveness of SSI, we turn our attention to the actual impact of SSI on the economic welfare of the aged population. A primary finding is that SSI is not fulfilling its maximum potential because 40 to 50 percent of those aged persons eligible do not participate. The question of why nonparticipation is so common is briefly analyzed. Although this is a question which has received considerable attention in the literature, we are still lacking the knowledge of how to increase participation effectively. Also in that section, the antipoverty effective-

ness of SSI among current recipients is analyzed. Characteristics which distinguish between those recipients removed from poverty by SSI from those who remain in poverty are identified. In the concluding section, we discuss policy options to increase SSI's effectiveness and reduce current levels of poverty among the aged.

WAS SSI DESIGNED TO ELIMINATE POVERTY?

Three fundamental features of the SSI program distinguish it from the State OAA programs it was designed to supercede:

(1) Nationally uniform standards are applied to determine program eligibility.

(2) Eligible persons are guaranteed a nationally uniform minimum cash grant.

(3) The minimum cash grant is wholly federally financed and administered by a Federal agency, the Social Security Administration (SSA).

These features were intended to remedy the following undesirable characteristics of State programs.

(1) State-to-State variation in eligibility criteria.

(2) Obstrusive eligibility investigations to determine individual need.

(3) Application of lien and relative responsibility laws.

(4) State-to-State variation in the cash grant available to persons with no other income (maximum payments ranged from $75 to $250 in 1972).

SSA was chosen as the administering agency because of its familiarity to the aged population and also because of its reputation for disbursing OASI in an efficient and impartial manner. Congress especially hoped that the later would become infused with the image of SSI so that the poor aged would come to view SSI payments as a matter of right rather than privilege (U.S.. Congress 1977b).

Despite the contentions of its creators that SSI was "* * * designed to provide a positive assurance that the Nation's aged, blind, and disabled people would no longer have to subsist on below poverty level incomes * * *" (U.S. Senate Report 92-1230), the original legislation set the SSI guarantee levels substantially below poverty thresholds. In 1974, the year of implementation, couples with no other income maintaining their own homes were eligible for benefits amounting to $2,574; the comparable figure for individuals was $1,716.[2] These amounts represented 85 and 71 percent of the SSA poverty thresholds for an aged couple and individual respectively. This decision is partially explained by the fact that SSI was conceived, as its name suggests, as a supplement to the social security program and other income sources. It was anticipated that only a few aged persons would be totally dependent upon SSI as a sole source of income. Setting SSI guarantee levels at the poverty

[2] SSI guarantee levels vary by marital status and type of living arrangement. There are six basic categories, or filing unit types: married couples (head and spouse over 65 years) living independently; married couples living in a home headed by another; individuals with ineligible spouses (less than 65 years living independently; individuals with ineligible spouses living in a home headed by another; single individuals living independently; and single individuals living in another's home. The guarantees for filing units living in homes headed by another is equal to two-thirds of that of units living independently. The benefit for a couple is 150 percent that for an individual. The guarantee for an individual with an ineligible spouse is equal to that for an individual.

thresholds was thus deemed unnecessary. Rather Congress sought to insure against "below-poverty-level incomes" by incorporating exclusions for earned and nonemployment income more generous than those existing under the OAA programs. The nonemployment income exclusion (e.g., social security, private pensions, interest and dividends) was set at $20 per month or $240 annually. Assuming no earned income, these disregards combined with the SSI guarantee brought couples within 6 percentage points of the poverty threshold; individual's total income under this scheme lagged behind at 82 percent of the poverty threshold. The prospects of aged persons with earnings was considerably brighter. Couples and individuals were allowed to disregard the first $65 and one-half of the remainder of any earnings per month. Thus in 1974, couples living independently with only employment income could earn up to $523 per month, or $6,276 annually, before losing eligibility; individuals lost eligibility at $377 per month or $4,524 annually. These amounts represented 210 and 191 percent of the poverty thresholds for couples and individuals respectively. But despite the bright promise held out by these high break-even levels, their significance is limited in actuality as fewer than 2 percent of all aged SSI participants received earned income in 1982 (Social Security Bulletin, Annual Statistical Supplement 1982). Thus the Federal break-even levels relevant for the vast majority of the SSI population (guarantee plus nonemployment income disregard) were set below the poverty thresholds. Because both the SSI guarantee levels and the poverty thresholds are increased annually by the same inflation factor,[3] this relationship has not been altered appreciably by time.

Not only were the Federal SSI guarantee levels lower than poverty thresholds, but they were also lower than prevailing OAA payment levels in 25 States. Recognizing that those States paying higher levels of assistance would probably wish to continue to do so, Congress included in the original legislation provisions allowing States to add to the Federal benefit a "State supplement" financed entirely with State funds.[4] In 1978, 25 States provided "voluntary" supplements to at least one category of aged persons living independently. The effect of these supplements is to raise the minimum benefit both absolutely and relative to the poverty thresholds thereby increasing SSI's potential for eliminating poverty. Table 1 shows for each State the combined Federal and State SSI payment available in 1978 plus the $240 annual nonemployment income disregard, for three types of aged SSI filing units living independently: couples, individuals with ineligible spouses and individuals. Also shown is the ratio of these levels to the appropriate poverty thresholds. Examination of this table places SSI in a somewhat better light as "* * * a positive assurance that the Nation's aged * * * people would no longer have to subsist on below-poverty-level incomes." The total income after SSI to aged couples receiving at a minimum $20 per month in social security and or other nonemployment income exceeds poverty thresholds in 17 States which ac-

[3] The inflation factor is equal to the increase in the average monthly Consumer Price Index (CPI) as measured during the first calendar quarter of each succeeding year.

[4] Later amendments went further to mandate a supplement in cases where OAA recipients would experience a decline in payments under SSI. By 1981, only 2,900 persons received the mandatory supplements (Hawkins 1983).

count for 37 percent of all aged couples participating in SSI. Individuals living independently are assured above-poverty-level incomes in eight States accounting for 36 percent of participating individuals. In contrast, total benefits (as defined) to eligible individuals with ineligible spouses are below poverty thresholds in every State. But this result reflects the presumption that the spouses of eligible individuals who are not yet 65 years old are better able to provide non-SSI income to the couple.

TABLE 1.—ABSOLUTE AND RELATIVE SSI GUARANTEE LEVELS, 1978

	Benefit level (State and Federal) + $240 nonemployment income disregard			Benefit level + $240 disregard as a percent of poverty line		
	Couple	Eligible individual with ineligible spouse	Individual	Couple ($3,944)	Eligible individual with ineligible spouse ($3,944)	Individual ($3,172)
Federal	3,304.80	2,203.20	2,203.20	89.88	61.95	77.02
Alabama	3,864.80	2,443.20	2,443.20	97.99	61.95	77.02
Alaska	5,657.80	3,786.20	3,786.20	143.45	96.00	119.36
Arizona	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
California	7,083.80	3,890.20	3,890.20	179.61	98.64	122.64
Colorado	5,591.80	2,918.20	2,918.20	141.78	73.99	92.00
Connecticut	5,186.80	3,612.20	3,612.20	131.51	91.59	113.88
Delaware	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
District of Columbia	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Florida	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Georgia	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Hawaii	3,834.80	2,625.20	2,625.20	97.23	66.56	82.76
Idaho	4,355.80	3,324.20	3,324.20	110.44	84.28	104.80
Illinois	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Indiana	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Iowa	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Kansas	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Kentucky	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Louisiana	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Maine	3,724.80	2,563.20	2,563.20	94.44	64.99	80.81
Maryland	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Massachusetts	5,833.80	3,914.20	3,914.20	147.92	99.24	123.40
Michigan	4,042.80	2,775.20	2,775.20	102.51	70.37	87.49
Minnesota	3,971.80	2,772.20	2,772.20	100.70	70.29	87.40
Mississippi	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Missouri	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Montana	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Nebraska	4,675.80	3,516.20	3,516.20	118.55	89.15	110.85
Nevada	4,468.80	2,924.20	2,924.20	113.31	74.14	92.19
New Hampshire	3,651.80	2,616.20	2,616.20	92.59	66.33	82.48
New Jersey	3,651.80	2,682.20	2,682.20	92.59	68.01	84.56
New Mexico	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
New York	4,455.80	3,173.20	3,173.20	112.98	80.46	100.04
North Carolina	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
North Dakota	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Ohio	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Oklahoma	4,432.80	2,917.20	2,917.20	112.39	73.97	91.97
Oregon	3,664.80	2,587.20	2,587.20	92.92	65.60	81.56
Pennsylvania	4,128.80	2,832.20	2,832.20	104.69	71.81	89.29
Rhode Island	4,279.80	2,833.20	2,833.20	108.51	71.84	89.32
South Carolina	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
South Dakota	3,634.80	2,533.20	2,533.20	92.16	64.23	79.86
Tennessee	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Texas	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Utah	3,604.80	2,503.20	2,503.20	91.40	63.47	78.92
Vermont	4,085.80	2,862.20	2,862.20	103.60	72.57	90.23

TABLE 1.—ABSOLUTE AND RELATIVE SSI GUARANTEE LEVELS, 1978—Continued

	Benefit level (State and Federal) + $240 nonemployment income disregard			Benefit level + $240 disregard as a percent of poverty line		
	Couple	Eligible individual with ineligible spouse	Individual	Couple ($3,944)	Eligible individual with ineligible spouse ($3,944)	Individual ($3,172)
Virginia	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Washington	3,689.80	3,689.20	2,718.20	93.55	93.54	85.69
West Virginia	3,544.80	2,443.20	2,443.20	89.88	61.95	77.02
Wisconsin	5,094.80	3,933.20	3,417.20	129.18	99.73	107.73
Wyoming	4,024.80	2,683.20	2,683.20	102.05	68.03	84.59

To measure more accurately the maximum potential of SSI in alleviating poverty, a simulation model of SSI eligibility and participation was applied to a nationally representative sample of the aged population from the March 1979 CPS. Income data refer to calendar year 1978. Persons 65 years and older were sorted by type of SSI filing unit and the eligibility of each filing unit was determined on the basis of reported income.[5] Next, SSI benefits (Federal and any State supplement) and total income including SSI were calculated for each filing unit. A poverty count was then conducted by comparing this definition of total income to the appropriate poverty threshold. The results of this exercise are shown in table 2. They indicate that even if all eligible filing units participated in SSI, 12.5 percent of the aged population would continue to have cash income below-poverty-threshold levels. Additional expenditures of $1.3 billion representing 67 percent of annual SSI outlays would be required to raise the cash incomes of the remaining poor to poverty thresholds. When interpreting these results, it should be remembered that enrollment in SSI often bestows eligibility for secondary programs such as food stamps and medicaid upon its participants. Consequently, the overall antipoverty effectiveness of SSI may be understated by these results. Nevertheless, these results suggest that in SSI, Congress designed a program to combat poverty among the aged but not one to eliminate it.

TABLE 2.—COMPARISON OF SIMULATION RESULTS OF SSI'S MAXIMUM POTENTIAL TO ELIMINATE POVERTY TO ACTUAL PERFORMANCE, 1978

[Dollar amounts in billions]

	Pre-SSI [1]	Simulation [2]	Current [3] SSI
Percent of aged population with cash income below poverty thresholds	17.2	12.5	15.2
Pre-SSI poverty gap	$3.4	$3.4	$3.4
Poverty gap after disbursement of SSI benefits		$1.3	$2.3
Percent of pre-SSI poor removed from poverty by SSI		27	12

[1] This column refers to the situation in 1978 in the absence of SSI.
[2] This column assumes 100 percent participation in SSI and shows SSI's maximum potential for alleviating poverty.
[3] This column refers to the actual situation in 1978 after the disbursement of SSI benefits.

Source: Calculations from the 1979 March CPS.

[5] Eligibility for SSI is contingent on the value of assets as well as on income. Because the CPS does not question respondents about the value of their assets, asset values are imputed to each filing unit under the assumption that income from assets (which is reported) represents a 6.67-percent return on the stock of assets. An asset screen is then applied.

THE ACTUAL ANTIPOVERTY EFFECTIVENESS OF SSI

Overview

In addition to identifying the boundaries of SSI's maximum potential for alleviating poverty, table 2 also reports on its actual performance (column 3). In 1978, SSI distributed $2.4 billion to an average monthly caseload of 2 million aged persons. Average total monthly benefits (Federal plus State supplement) equaled $103 (Social Security Bulletin, Annual Statistical Supplement, 1982: 238–240). Almost 30 percent of these benefits were paid to persons whose pre-SSI incomes exceeded poverty thresholds. The remaining 70 percent of total SSI payments were received by persons whose cash incomes less SSI were below poverty thresholds. SSI benefits removed one-third of these recipients from poverty, reducing the overall incidence of poverty among the aged from 17.2 to 15.2 percent. The poverty gap, that is the amount of expenditures required to raise the incomes of all the poor to poverty thresholds, fell from $3.4 billion to $2.3 billion, a reduction of 32 percent.

The Problem of Nonparticipants

Comparison of columns (2) and (3) of table 2 suggests that SSI's actual antipoverty effectiveness falls significantly below its potential. This difference is explained by the phenomenon of nonparticipation. Estimates of the percentage of the aged population who are eligible for SSI who actually receive SSI payments are consistently between 50 and 60 percent (Warlick 1982; Coe 1982; Menefee 1981; Urban Systems Research and Engineering 1981; U.S. Department of Health, Education and Welfare 1978). The simulation model described above indicates that participation among the aged was no higher than 57 percent in 1978. It follows that two of every five eligible aged persons do not receive SSI.

Nonparticipation is a perplexing problem which has been the subject of concern and investigation since the program's first year of operation (Report of the SSI Study Group; U.S. Congress 1977b). Although the average financial situation of nonparticipants is superior to the pre-SSI position of participants (see table 3) nonparticipants nevertheless forfeit considerable amounts in unclaimed SSI benefits as shown in table 4. Nonparticipants could on average increase their cash incomes by 160 percent through participation. Eight percent, a nontrivial proportion, could double their incomes or better. The increase in total economic well-being is potentially even greater than the numbers in table 4 suggest in view of the fact that enrollment in SSI confers upon many participants automatic eligibility for in-kind transfers from the medicaid and food stamp programs.

TABLE 3.—COMPARISON OF FINANCIAL POSITION OF ELIGIBLE NONPARTICIPANTS WITH THE PRE-SSI POSITION OF PARTICIPANTS, 1978

	Percent distribution	
	Participant	Eligible nonparticipants
Pre-SSI income to poverty line:		
Under 0.25	11.4	4.4
0.25 to 0.50	15.9	8.2
0.50 to 0.75	23.5	21.0
0.75 to 1.0	15.8	22.5
1.0 to 2.0	18.1	19.0
2.0 and above	15.3	24.8
Total	100.0	100.0
Percent with Pre-SSI income below poverty threshold	66.6	56.2

Source: Calculations from the 1979 Current Population Survey.

TABLE 4.—DISTRIBUTION OF PARTICIPANTS AND ELIGIBLE NONPARTICIPANTS BY SIZE OF TOTAL AVAILABLE ANNUAL BENEFIT

Size of annual benefit	Percent	
	Participant	Eligible nonparticipants
Under $250	18.5	22.5
$250 to $500	9.8	17.2
$500 to $750	8.2	11.4
$750 to $1,000	10.6	10.8
$1,000 to $1,500	21.5	17.1
$1,500 to $2,000	11.0	9.1
$2,000 to $2,500	13.5	5.6
$2,500 to $3,000	3.6	3.3
$3,000 to $4,000	3.1	2.7
$4,000 and above	.2	.3
Total	100.0	100.0
Mean annual benefit	$1,170	$958

Source: Calculations from the March 1979 Current Population Survey.

Research into the conundrum of nonparticipation indicates that the probability of participation rises with the level of available benefits and is higher for younger eligibles with relatively less education living in rural areas and the Southern region of the U.S. (Warlick 1982). But researchers have been unable to determine how much nonparticipation is caused by poor information (unawareness of the program's existence, or inadequate or misinformation regarding eligibility criteria), the desire to avoid a stigma associated with welfare receipt, and the inability or unwillingness to deal with the program's bureaucratic procedures. The subjective, qualitative nature of these factors poses an especially stymying obstacle for researchers attempting to quantify their absolute and relative importance. In addition, evidence pertinent to these factors is frequently contradicting. For example, a special survey of SSI eligible households indicates that 75 percent of nonparticipation attribute their status to information problems (Coe 1982). Yet since 1973, SSA invested $25 million in outreach programs and other information disseminating activities to no avail: participation rates were

not appreciably altered (Report of the Comptroller General of the United States 1976). Systematic evaluation of these activities was not undertaken; indeed for the most part their design prohibited such. This is unfortunate as the experience could have provided valuable insight into a number of key issues including: (1) How much program information is optimal for accurate self-diagnosis of eligibility; (2) how effective is information dissemination in the absence of advocacy; (3) what techniques work best (leaflet, public communication, etc.); and (4) whether limited funds should be directed toward informing a large number of households of the programs availability or providing advocacy services for a few.

Analyzing SSI's Effect on Participants

As was noted above, not all SSI participants have cash incomes below poverty thresholds prior to receipt of SSI. Similarly, not all pre-SSI poor recipients are removed from poverty by SSI. Those who are removed from poverty are distinguished from those who are not by several characteristics: State and region of residence, residence within an SMSA, sex of head, race, type of SSI filing unit, and level of education. This information is summarized in table 5 which shows for a number of demographic characteristics the percentage of the participating population with incomes below poverty thresholds prior to SSI who are removed from poverty by SSI. The numbers in table 5 are based on simple crosstabulations. Other characteristics are not held constant in the analysis of any single characteristic and thus the relative importance of single characteristics cannot be determined. Neither should the data be interpreted to imply causation. Bearing these qualifications in mind, the data in table 5 suggest that more sophisticated analysis will show that the probability of escaping poverty through SSI rises with residence in the West and Northeast, within a SMSA, and with the family head's education. Most likely the latter varies positively with pre-SSI income and thus negatively with the family's pre-SSI poverty gap. In only eight States (Alaska, California, Connecticut, Delaware, Massachusetts, Minnesota, New York, and Wisconsin) were a majority of prepoor SSI participants removed from poverty. With the exceptions of Delaware and Minnesota, these are States whose State supplements increase the Federal SSI guarantee to above poverty threshold levels. The probability of escaping poverty is also likely to be higher for SSI recipients living in a household headed by nonrecipients as opposed to those living independently and for individuals rather than couples. Escape appears most unlikely for blacks.

TABLE 5.—COMPARISON OF PREPOOR SSI PARTICIPANTS REMOVED FROM POVERTY BY SSI WITH THOSE WHO ARE NOT

[In percent]

Characteristic	Removed from poverty	Left in poverty	Total
Region of the United States:			
Northeast	46	55	100
Northcentral	25	75	100

TABLE 5.—COMPARISON OF PREPOOR SSI PARTICIPANTS REMOVED FROM POVERTY BY SSI WITH THOSE WHO ARE NOT—Continued

[In percent]

Characteristic	Removed from poverty	Left in poverty	Total
South	15	85	100
West	72	28	100
SMSA status:			
Central city	47	53	100
Balance of SMSA	47	53	100
Outside SMSA	21	79	100
Headship status:			
Head, no subfamilies	33	67	100
Head with subfamilies	31	69	100
Nonhead	54	46	100
Sex of head:			
Male	30	70	100
Female	35	65	100
Race:			
White	37	63	100
Black	25	75	100
Other	55	46	100
Type of SSI filing unit:			
Couple	23	77	100
Individual with ineligible spouse	25	74	100
Individual	34	66	100
Mean values:			
Heads education (yes)	7.9	6.4	.....
Census family size	1.34	1.41	.....
Head's age (yes)	75.16	75.27	.....

Source: Calculations from the March 1979 Current Population Survey.

CONCLUSION

If Congress truly wishes SSI to be a program which eliminates poverty among the aged, it must do two things. First it must raise the Federal guarantee nearer to poverty thresholds to increase the income of current participants living in States with no or meager supplements. Second, it must find ways to increase the rate of participation among current eligibles. This last requirement must be met even if Congress selects the lesser goal of guaranteeing income at levels below poverty thresholds including those levels implied by the current SSI maximum benefit amounts.

These two requirements are not unrelated. As noted above, past research indicates that raising benefits increases the probability of participation. That is, one possible solution to the problem of nonparticipation is to increase benefit levels. As benefits rise, the probability that the gains from participation will outweigh the costs also rise for a larger percentage of the current population of eligible nonparticipants. But this approach has several drawbacks. First, it does not assure the participation of all eligibles. Second, we do not know which nonparticipating eligibles are most likely to respond by deciding to enroll. The most desirable target group are those nonparticipants in greatest need, i.e., those who currently sacrifice the largest benefits through nonparticipation and whose personal poverty gaps are the greatest. But there is no assurance

that it is this subgroup of the nonparticipating eligible population who will be persuaded by rising benefits to enroll. It could be that the response to this policy approach is greatest among nonparticipants at the opposite end of the benefit distribution who currently forego relatively small benefits. A third problem with this policy is that raising the guarantee levels simultaneously raises the SSI breakeven levels and expands the eligible population. In an effort to entice current nonparticipants to enroll, this option must offer benefits to persons who current incomes exceed current eligibility limits. Finally, the cost of this approach may be prohibitive, particularly in view of its limited potential for eliminating all poverty among the aged.

More direct solutions to the problem of nonparticipation should be explored. In view of the fact that a vast majority of nonparticipating eligibles surveyed indicated that informational problems explain their nonenrollment, it is incumbent upon Congress to investigate the potential of outreach and advocacy programs to increase participation. Experimental programs whose primary purpose is to evaluate the efficacy of outreach and advocacy efforts should be implemented for fixed periods of time in several locations across the country. These programs should be carefully designed such that the effectiveness of alternate techniques can be compared and their overall impact measured from a cost-benefit perspective. Funding and implementation of nationwide outreach efforts should be contingent on the results from the experimental programs.

Beyond these measures it may be prudent to recognize the limitations of SSI as a solution to poverty during old age and concentrate instead on the causes of such poverty. Families headed by women and blacks are over represented among the poor aged (Warlick 1983). Understanding why this is so, and taking action to increase the pre-SSI incomes of these and other aged persons could prove to be a more effective solution to poverty during old age than is SSI.

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Chapter 5

LEGISLATIVE HISTORY, TRENDS, AND ADEQUACY OF THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM

(Prepared by the Congressional Research Service, Library of Congress)

OVERVIEW

The supplemental security income (SSI) program for the aged, blind, and disabled has now been in operation for 10 years. The SSI program is a federally funded and administered income assistance program under title XVI of the Social Security Act. Established by the 1972 amendments to the act (Public Law 92-603) and begun in 1974, SSI provides monthly cash payments based on uniform, nationwide eligibility rules to needy aged, blind, or disabled persons. The SSI program replaced the former Federal grants to States for old age assistance, aid to the blind, and aid to the permanently and totally disabled. These grants continue in Guam, Puerto Rico, and the Virgin Islands. SSI however, operates in the Northern Mariana Islands.

This chapter is separated into three parts. The first is a legislative history of the SSI program from 1969 to 1972 with a section focusing on congressional intent. The second discusses the trends and developments in the program for the period 1974 through 1983. The third discusses the adequacy of the program by examining cash and noncash benefits of enrollees and participation in the program.

LEGISLATIVE HISTORY OF THE SUPPLEMENTAL SECURITY INCOME PROGRAM: 1969-72

Introduction

January 1, 1974, marked the implementation of the supplemental security income (SSI) program for needy aged, blind, and disabled persons. This program, which was enacted into law in October 1972, grew out of a 3-year period of legislative consideration of welfare reform.

By the end of the 1960's, welfare rolls had swollen and Congress, the President, and the general populace were beginning to worry about the cost of the programs. They wanted to do something that would reduce the rolls, encourage people to work, and still provide adequate benefits for those in need. In August 1969, President Nixon introduced a welfare reform bill that proposed sweeping changes in the AFDC program as well as in the adult category pro-

grams. Off and on for 3 years, welfare reform was debated in the Congress. Twice during this period, the House passed major welfare reform bills—in April 1970 and in June 1971. But it was not until October 1972 that the Senate and House were able to agree on a bill. However, the bill which finally passed both Houses was a far cry from the welfare reform measure that had been studied for the previous 3 years. The family assistance plan, the real crux of the welfare reform debate, had been deleted. Congress had, at long last, made a decision and the decision was to concentrate its reform initiatives on the programs for the adult categories—the aged, the blind, and the disabled. The supplemental security income program, as it was called, attempted to federalize the assistance programs for adults by providing uniform Federal payment standards and uniform eligibility standards for the aged, blind, and disabled.

This section traces the development of the legislation from 1969 through 1972 as it related specifically to adults. Much interesting debate went on during this period regarding the family assistance plan, the program which would have replaced AFDC. This section does not address that aspect of the legislative history. There are other papers and books which have done this in depth. This section reports the changes in the legislation pertaining to adults as it passed through 3 years of congressional scrutiny.

Nixon Proposes Welfare Reform—H.R. 14173 Is Introduced

On August 8, 1969, President Nixon addressed a nationwide television audience and presented his plan for welfare reform. He announced that his intent was to propose a new and drastically different approach to the way in which government cares for those in need and to the way in which the responsibilities are shared between the States and the Federal Government.

Under Nixon's plan, the adult categories of aid (welfare for the aged, blind, and disabled poor) would have been continued, and a national minimum standard for benefits would have been set, with the Federal Government contributing to the cost of the minimum payment and sharing the cost of additional State payments above that amount. Nationally uniform definitions of eligibility would also have been prescribed.

The new system, as proposed that August, established a Federal minimum payment level of $65 per month for the aged, blind, and disabled categories, with the Federal Government contributing the first $50 and sharing in payments above that amount. The President indicated that he felt that this increase in the share of the financial burden borne by the Federal Government for payments to persons who cannot support themselves would pave the way for benefit increases in many States.

The President stated that one of the failures of the welfare system as it then existed was the widely varying payments among the States. Table 1 gives some indication of the variation among States in their welfare payments to the aged, blind, and disabled.

Table 1.—*National average monthly payments—March 1969*

States with highest average monthly payment:	
Aid to the blind—California	$144.65
Aid to the permanently and totally disabled—Iowa	134.35

Old age assistance—Wisconsin	139.00
States with lowest average monthly payment:	
Aid to the blind—Utah	55.35
Aid to the permanently and totally disabled—Mississippi	49.20
Old age assistance—Mississippi	39.80

In addition to widely varying payment standards, eligibility factors for the public assistance programs varied widely among the States. In order to receive Federal matching funds, the States were required to comply with certain Federal guidelines, but they were given much latitude regarding the general scope of their programs. The States were free to define resource limitations, duration of residence rules, recovery and lien provisions, and the terms "permanent and total disability" and "blindness."

THE FAMILY ASSISTANCE ACT OF 1969—H.R. 14173

On October 3, 1969, H.R. 14173, the Family Assistance Act of 1969, embodying the President's proposal, was introduced in the House of Representatives and referred to the Committee on Ways and Means. The bill was designed to deal with the problems of low benefits in some States and differences in eligibility requirements among the States. The bill proposed to continue as a Federal-State program a combined program for needy aged, blind, and disabled persons. However, the proposal established a Federal floor of income and assistance for adult recipients in any State.

Benefit Levels

H.R. 14173 established a Federal floor of $90 per month of income and assistance which was to be assured to adult recipients in any State. A couple was to receive $180 a month. (The level was increased from the $65 level proposed in the President's August message.) According to Robert Finch, Secretary of the Department of Health, Education, and Welfare, this new Federal floor was to raise benefits for about one-third of the old age assistance recipients, or about 670,000 persons, and was to raise benefit levels in the 13 lowest payment States and the District of Columbia.[1] States with need standards at the time of enactment exceeding the $90 limit were not permitted to lower those standards.

Federal Funding

The bill provided a liberalized formula for Federal financial participation in the cash assistance programs, giving substantial fiscal relief to most States. Under the plan, the Federal Government was to pay 100 percent of the first $50 per recipient, half of the next $15 per recipient, and 25 percent of any additional amount, not exceeding the maximum permissable level of assistance per person set in regulations to be issued by the Secretary (which could be lower in the cases of Puerto Rico, Guam, and the Virgin Islands than for other jurisdictions). The Federal contribution was to be calculated on the basis of the average payment in a State. During

[1] U.S. Congress. House. Committee on Ways and Means. Written statements submitted by administration witnesses appearing before the Committee on Ways and Means at hearings on social security and welfare proposals beginning on October 15, 1969. (Committee Print) Washington, U.S. Govt. Print. Off., 1969: 6.

the October hearings before the Committee on Ways and Means, Robert Patricelli, Deputy Assistant Secretary for Program Planning and Evaluation, stated that the maximum limits had not yet been set but would be in line with various government indices such as the pvoerty line or eligibility provisions for food stamps or medicaid.[2]

The law then in effect provided a Federal share of $31 of the first $37 of average payments and 50 to 65 percent of the balance depending on the States' per capita income with the maximum Federal share being $75 per month per recipient. Alternatively, the States could elect the title XIX (medicaid) formula which varied between 50 and 83 percent and had no upper limit beyond which the Federal Government would not participate. As of 1969, 18 States were using the medicaid formula.

The fiscal relief features of H.R. 14173 provided that for the first 5 years of the program each State was to be required to spend at least 50 percent of the amount that it would have spent under the existing public assistance programs if they had been continued. No State was to be required to spend more than 90 percent of the expenditures it would have incurred in any of these 5 years under existing law. Thus, fiscal relief to any State was to vary between 10 percent in the high-payment States and 50 percent in the low-payment States of what they would have spent under existing law. Secretary Finch, in a statement before the Committee on Ways and Means on February 3, 1970, stated that the so-called "50 to 90" rule was an effort to accomplish two goals—to maintain some degree of fiscal effort while at the same time providing some degree of fiscal relief. He further indicated that the Department was willing to consider other formulae which the committee might suggest to achieve the same goals.

Fiscal relief as a result of the changes in the adult assistance programs was estimated by HEW to be $400 million. John G. Veneman, Under Secretary of HEW, indicated that if the 50 percent requirement had not been included in the bill, the lower payment States would have been almost entirely out of the welfare business, since many of the lower payment States had payment standards less than the Federal minimum in both the adult categories and AFDC.

During the October hearings, Robert J. Myers, Chief Actuary of the Social Security Administration, pointed out the possibility that, when the 50 percent requirement ended after 5 years, a State could set its standard at a higher level than was current, and thereby increase the Federal share of the payment to a maximum of 100 percent Federal matching. This could have resulted if the adult category standard were set at a level just below the average social security benefit level so that the majority of the public assistance recipients in the State would also be social security beneficiaries. Thus, if enough people became eligible for a small welfare payment to supplement their social security benefit, the average public assistance payment might drop to below $50, with the result that 100

[2] U.S. Congress. House. Committee on Ways and Means. Social Security and Welfare Proposals. Hearings, 91st Congress, 1st session on the subject of Social Security and Welfare Proposals. October 15 to November 13, 1969. Washington, U.S. Govt. Print. Off., 1969: 276.

percent Federal financing for the entire adult caseload would have been available. (The bill called for 100 percent Federal funding cost for the first $50 per recipient on an average payment basis.)

Cost

The estimated new Federal cost for all of the proposals included in the Family Assistance Act was $4.4 billion per year. The total new Federal cost of the changes in the adult assistance programs, according to the Department of HEW, was $395 million—$361 million in increased costs due to the revised matching formula and $34 million in additional costs due to the $90 minimum income standard. This estimate was based on data for calendar year 1968 and assumed 100 percent participation.

Administration

Although the legislation did not provide for total Federal administration of the adult category programs, it did make a significant move in that direction. The new title XVI included authority for States to contract with the Social Security Administration for Federal assumption of some or all of the administrative burdens of the program. The Secretary could enter into an agreement with any State under which the Secretary would make the payments of aid to the aged, blind, or disabled directly to individuals in the State who were eligible for such payments. In that case, the State was to reimburse the Federal Government for the State's share of those payments and for one-half of the additional cost to the Secretary of carrying out the agreement. Under existing law, the Federal Government provided the States with 50 percent matching funds for the cost of administration. Secretary Finch, in October 1969, indicated that "in this way, we should be able to move toward a single mechanism for transfer payments, taking advantage of all the economies of scale which such an automated and nationally administered system can have."[3]

Robert Finch, in describing the advantages of using the Social Security Administration to administer the Family Assistance Plan, said that "the Social Security Administration has developed over the past 34 years an expertise in the delivery of cash payments on a regular basis to millions of Americans. This experience and expertise will be brought to bear on many of the administrative problems in the family assistance plan."

Transition Features

Provisions were also made for according to States a grace period during which they could be eligible to participate in the new title XVI program without changing their tests of disability or blindness. The grace period was to end for any State with the June 30 following the close of the first regular session of its State legislature beginning after enactment of the bill.

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[3] U.S. Congress. House. Committee on Ways and Means. The President's Proposals for Welfare Reform and Social Security Amendments of 1969 including draft bills, summaries, and other material transmitted by the Department of Health, Education, and Welfare. (Committee print.) Washington, U.S. Govt. Print. Off., 1969: 45.

Federal Requirements

State plans

The existing law required that States wishing to receive grants for aid to the aged, blind, and disabled (as well as for aid to families with dependent children) have a State plan approved by the Secretary of HEW. The State plan was a comprehensive statement submitted by the State agency to HEW describing the nature and scope of its public assistance programs and giving assurance that it was administered in conformity with the requirements of the law, regulations, and departmental instructions. The State plan was submitted to the Social and Rehabilitation Service (SRS) which determined whether the plan could be approved, as a basis for Federal financial participation in the State program.

H.R. 14173 made only a few changes in the requirements for a State plan for aid to the aged, blind, and disabled. The bill required the State plan to adhere to certain conditions already in law including:

(1) Administration by a single State agency (except where a separate agency would have been permitted for the blind).

(2) Financial participation by the State.

(3) Statewideness.

(4) Opportunity for fair hearing.

(5) Methods of administration, including personnel standards, training, and effective use of subprofessional staff.

(6) Reporting to the Secretary as required.

(7) Confidentiality of information relating to recipients.

(8) Opportunity for application and furnishing of assistance with reasonable promptness.

(9) Establishment and maintenance by the State of standards for institutions in which there are individuals receiving aid.

(10) Description of services provided for self-support or self-care; and

(11) Determination of blindness by an ophthamologist or an optometrist.

In addition to requiring the States to meet the existing legislative requirements listed above, some new requirements were set. New provisions required that the State plan provide for training and effective use of social service personnel, provision of technical assistance to State agencies and local subdivisions furnishing assistance or services, and provision for the development through research or demonstration of new or improved methods of furnishing assistance or services. Also added was a requirement that the State plan provide for use of a simplified statement for establishing eligibility and for adequate and effective methods of verification. Finally, there were new requirements for periodic evaluation of the State plan, at least annually, with reports thereof being submitted to the Secretary together with any necessary modification of the State plan; for the establishment of advisory committees, including recipients as members; and for observing priorities and performance standards set by the Secretary in the administration of the State plan and in providing services thereunder.

Provisions for prohibiting, in the State plan, any age requirement of more than 65 years and any citizenship requirement ex-

cluding U.S. citizens were continued. There was also a new requirement prohibiting any residency requirement excluding any resident of the United States. Duration of residence requirements under public assistance had been ruled unconstitutional by the Supreme Court. However, many of the States continued to apply such requirements; many others were then under court orders not to apply such requirements. Also there was a new prohibition against any disability or age requirement excluding a severely disabled person 18 years of age or older, and any blindness or age requirement excluding any blind person.

Eligibility standards

H.R. 14173 required that the States pay cash assistance in an amount which, when added to nonexcluded income from other sources, guaranteed an income of at least $90 per month per recipient. In general, the mandatory and optional requirements in existing law regarding the counting of income were continued under H.R. 14173.

Earned income.—For the blind, the State agency was required to disregard the first $85 per month of earned income plus one-half of earned income in excess of $85 per month. In addition, the State agency was required to disregard additional income and resources considered to be necessary for the fulfillment of an approved plan for achieving self-support. For any individual having such a plan, this disregard was to be mandatory for 12 months and optional for a maximum of 36 months.

For the disabled, the State agency was permitted to disregard not more than the first $20 of the first $80 per month of earned income plus one-half of the remainder of earned income. The disabled were allowed, at the State's option, the same deductions for income necessary for achieving self-support as the blind.

For the aged, the State agency was permitted to disregard not more than the first $20 of the first $80 per month of earned income plus one-half of the remainder of earned income.

Unearned income.—In all three adult categories, there was a dollar-for-dollar loss of benefits for unearned income, including such income as social security payments. Under the existing law, the State agency was permitted to disregard $7.50 per month of any income.

Resources.—Under H.R. 14173, the resource limitation was set at $1,500. Disregarded as resources were the home, household goods, personal effects, and other property which might help to increase the family's ability for self-support. Under existing arrangements, States had varying limits on the value of the home and personal property which could be disregarded.

Relative responsibility and lien laws.—The bill included a new requirement under which a relative could be held financially responsible for an applicant only if the applicant were the individual's spouse or a child under the age of 21 or a blind or disabled child of any age. (As of February 1970, 19 States required adult children to contribute to the support of adult assistance recipients. See table 2.)

TABLE 2.—*States which required adult children to contribute to the support of adult assistance recipients—February 1970*

California	Kentucky	North Dakota
Connecticut	Maryland	Ohio
Delaware	Minnesota	Oregon
Hawaii	Montana	Pennsylvania
Indiana	Nevada	Virginia
Iowa	New Jersey	Wisconsin

A prohibition was also included against imposition of liens on account of benefits correctly paid to recipients. (As of February 1970, 31 States had lien and/or recovery provisions in the old age assistance programs. See table 3.)

TABLE 3.—*States that had lien and/or recovery provisions in the old age assistance programs—February 1970* [1]

Alaska	Maryland	Oregon
Connecticut	Massachusetts	Pennsylvania
District of Columbia	Minnesota	South Carolina
Florida	Montana	South Dakota
Hawaii	Nebraska	Utah
Idaho	New Hampshire	Vermont
Illinois	New Jersey	Virginia
Indiana	New York	Wisconsin
Iowa	North Carolina	Wyoming
Kansas	North Dakota	
Maine	Ohio	

[1] The specific provisions in the State programs varied significantly from State to State.

Definition of disability.—One of the most significant features of the reform proposal was its imposition of nationally uniform standards of eligibility. Particularly in the area of disability, there were wide variations among the States regarding what constituted permanent and total disability. Although there were Federal regulations defining disability, they were broad enough to allow for significant State-to-State variation. Under H.R. 14173, the Secretary of HEW was required to issue regulations defining disability. As a result, the needy disabled (as well as the blind and aged) theoretically were to be treated alike regardless of the State of their residence.

The proposed legislation lowered the existing age requirement for the disabled from 21 years to 18 years and no longer required that the disability be permanent and total. Instead, eligible persons were to be those suffering from a "severe disability" as defined by the Secretary. It was not clear whether the new definition was to be more liberal than that used by the Social Security Administration in its disability insurance program. Under Secretary Veneman, during the October hearings, stated that the new definition would not be as liberal as the most liberal definition used among the States.[4] In a letter dated December 16, 1969 to Congressman Mills, then chairman of the House Committee on Ways and Means, from Secretary Finch, the Secretary indicated that "severaly disabled, as will be prescribed by the Secretary, will not necessarily be a more liberal definition than that used by some of the States today. It would almost certainly, though, be more flexible than the

[4] Op. cit., Social Security and Welfare Proposals, p. 276.

one applied in some States where the definition is so stringent that a person must be bedfast to be considered disabled." [5]

Institution.—Under H.R. 14173, payments were not to be made to inmates of public institutions (except for patients in a medical institution). Payments were not to be made to any individual under 65 who was a patient in a tuberculosis or mental institution.

Coordination With Other Programs

Food stamps

Adult assistance recipients were to be allowed to continue receiving food stamps.

Social services

Although the primary emphasis of the family assistance plan was on income maintenance, the legislation did acknowledge the use of social and rehabilitation services as an essential adjunct to income maintenance programs. The family assistance plan amendments provided, essentially, for the continuation of the existing arrangements for services. With respect to services for the aged, blind, and disabled, the Federal Government was to continue to pay the percentage under law; that is, 75 percent in the case of certain specified services and training of personnel and 50 percent in the case of the remainder of the cost of administration of the State's plan.

Disposition of H.R. 14173

Intermittently from October 15, 1969 to November 13, 1969 the House Committee on Ways and Means held hearings on social security and welfare reform proposals. On December 5, 1969, the Committee on Ways and Means reported out a bill to increase social security benefits. The committee promised further consideration of welfare proposals early in 1970.

THE FAMILY ASSISTANCE ACT OF 1970—H.R. 16311

On March 11, 1970, the Committee on Ways and Means reported a clean bill, H.R. 16311 (H. Rpt. 91-904) the Family Assistance Act of 1970. The provisions of H.R. 16311, as reported by the committee, were essentially patterned after the 1969 proposals of the President.

BENEFIT LEVELS

The minimum income standard was raised from $90 proposed in the administration bill to $110 in the committee bill (or, if higher, the standard in effect on the date of enactment). In its report, the committee pointed out that the administration's proposal had been submitted prior to the 1970 social security benefit increase. Since many of the recipients of adult assistance also receive social security benefits, increases in the latter program lower the Federal costs of public assistance. The savings due to the social security increases were estimated to be approximately $100 million. These

[5] Ibid., p. 554.

savings, in conjunction with other changes in the bill, were expected to offset the increased cost of raising the minimum income standard.

Increased Federal expenditures of $490 million were required by the bill. The committee also considered the cost implications of raising the minimum income standard above $110. The cost implications of higher minimum income standards, as estimated by HEW, are shown in table 4 below.

TABLE 4.—CHANGES IN ANNUAL FEDERAL AND STATE EXPENDITURES IN ADULT CATEGORY PROGRAMS FOR DIFFERENT MINIMUM INCOME STANDARDS, CALENDAR YEAR 1968

[In millions of dollars]

	Total	Change in expenditures [1]	
		Federal	State and local
Minimum income standard:			
110	400	490	−90
120	600	540	60
130	820	600	220
140	1,060	660	400
150	1,310	720	590

[1] Federal share of average payments: 90 percent of the first $65 and 25 percent thereafter.

Source: H. Rept. 91-904, p. 51.

The new Federal floor of $110 per month per person was to raise benefit levels in the 22 lowest payment States and was to add to the rolls more than 1 million persons—mostly aged couples.

H.R. 16311 proposed to pay a couple on welfare 200 percent of a single person's welfare payment. This represented a different approach from that used for social security benefits and for existing public assistance benefits. In the social security program, a wife's benefits is equal to 50 percent of her husband's benefit (if both are 65 years of age when they begin receiving benefits). In 41 States, the standard of need for an aged couple was between 120 and 160 percent of the needs standard of an aged individual under the existing welfare programs. The $110 level for an individual would not have substantially increased the number of individuals receiving social security benefits who would also have qualified for welfare payments. But approximately one-half of the couples receiving social security benefits received less than $220 per month (even after the 10 percent increase) and thus, would have been eligible for some welfare payment under this plan.

FEDERAL FUNDING—FISCAL RELIEF

The administration bill had proposed a new Federal matching formula of 100 percent of the first $50 of average payment per recipient, 50 percent of the next $15, and 25 percent thereafter. The committee bill proposed that the formula be 90 percent of the first $65 of average payment per recipient, plus 25 percent of the balance up to a maximum set by the Secretary of HEW. (That level could be lower in the cases of Puerto Rico, Guam, and the Virgin Islands.) This formula increased Federal costs, but was designed to

prevent possible situations in which a State might make no contributions.

The bill assured that for two fiscal years after the year in which the AFDC supplementary payment provisions became effective a State's expenditures for AFDC supplementary payments and payments under title XVI (from its own funds) would not by reason of the requirements of that act have to exceed its non-Federal expenditures under existing law for the same year. The bill provided that for two fiscal years, the Federal Government would meet the excess of non-Federal expenditures made necessary by the bill over what the non-Federal expenses would have been under existing law. States and localities would thus have been guaranteed no required increase in expenditures for assistance payments as compared with what would have been expended under existing law for the same period. However, most States would not have been required to incur additional costs as a result of enactment of this bill and, thus, this provision would have acted as a savings provision for only a few States.

Under the law then in effect, States were required to provide medical assistance (medicaid) to all recipients of cash public assistance under any of the federally funded programs—AFDC, aid to the blind, old age assistance, and aid to the permanently and totally disabled. H.R. 16311 would have added approximately 1 million aged, blind, and disabled persons to the assistance rolls. State medicaid coverage was to be mandatory for these persons. The bill provided no fiscal relief for these additional costs.

COSTS

The cost of the committee bill to the Federal Government in calendar 1968 terms was estimated by HEW to be $4.4 billion above expenditures under current law—the same as the cost of the welfare recommendations submitted to Congress by President Nixon in 1969.[6] However, components of the costs differed; the cost of adult assistance was increased from $400 million in the administration bill to $500 million in the committee bill. The changes in the bill as they affected costs in the adult category programs were:

(1) H.R. 16311 deleted the "50 to 90" rule of H.R. 14173 which had assured the States a savings of at least 10 percent of their costs in the federally assisted public assistance programs and which also had required States to spend at least 50 percent of these costs. It was estimated that H.R. 16311's deletion of the "50 to 90" rule save $100 million.

(2) The increase in the Federal income floor in the adult categories from $90 per recipient per month to $110 per recipient per month. HEW estimated that this provision increased costs by $200 million.

The total fiscal savings afforded the States by the committee bill were estimated to be about the same as those which the States would have achieved under the administration's proposals. Howev-

[6] HEW was not able to furnish all the cost information on the basis of fiscal year 1972 costs, the first full year under the proposed program. The costs, therefore, were expressed in terms of what the programs would have cost had they been in operation in 1968 (but including the effects of the 15 percent general increase in social security benefits effective in 1970).

er, the way in which the States were to share in this fiscal relief was substantially changed. In general, States which had been making greater fiscal effort in the welfare programs would achieve more savings under H.R. 16311 than they would have under the President's proposed legislation. This was due to the increased minimum income standards, which required States with relatively low benefit levels in the adult category programs to increase their fiscal effort, and the addition of a new provision under which the Federal Government would pay 30 percent of a State's AFDC supplementary payment costs (up to the poverty level). In fiscal year 1968 terms, it was estimated that the administration bill would have saved the States $500.3 million; the committee bill would have provided $567.6 million in fiscal relief to the States. (Of the $567.6 million, $90.1 million was in the adult programs.)

The committee indicated that it was concerned about the open-ended public assistance matching formula and indications that the costs of welfare programs, if left unchanged, would continue to spiral upwards. The bill made various attempts to gain control over increasing welfare costs. Although rising costs in the adult categories were not considered as significant a problem as in the family assistance program, the bill did include a provision which imposed controls over adult category welfare costs. That provision allowed the Secretary of HEW to establish an upper limit to the Federal Government's matching of State costs in the adult category programs. The rate of increase in the costs of the adult categories would probably not have been affected by the bill. Based on trends, HEW indicated that the Federal costs in the adult categories under the bill would have been likely to increase about $210 million per year. The Secretary did not state exactly what the matching limit would be. However, the estimates for increased spending on the adult programs to which the administration was committed assumed that the ceiling would be above the average payment level in all States for at least the first year under the new law.

Table 5 shows HEW's estimates of the potential Federal costs of the adult programs under the committee bill and the current legislation from 1971 through 1975.

TABLE 5.—POTENTIAL FEDERAL COSTS UNDER THE COMMITTEE BILL COMPARED TO CURRENT LEGISLATION, 1971–75—HEW ESTIMATES

[In billions of dollars]

	1971	1972	1973	1974	1975
Committee bill (H.R. 16311), Federal share of adult programs	2.7	2.9	3.2	3.4	3.6
Current legislation, Federal share of adult programs	2.0	2.3	2.5	2.7	2.8

Source: H. Rept. 91–904, p. 53.

ADMINISTRATION

H.R. 16311 contained an incentive for the States to enter into agreements for Federal administration of the adult category programs. The bill authorized the Secretary to enter into agreements with any State under which the Secretary would make payments

directly to eligible individuals. The State was to reimburse the Federal Government for the State's share of the payments. The Federal Government was to pay all of the administrative costs. If a State chose to retain administration of the payments, only 50 percent of administrative costs were to be paid by the Federal Government. This incentive for Federal administration had not been included in the administration's proposal. The committee indicated that it felt that this authority would make possible economies in operation that are generally associated with unified administration.

The Committee on Ways and Means report on H.R. 16311 indicated that it was the intent of the committee that a new agency be established in the Department of Health, Education, and Welfare to administer the family assistance plan. The new agency, as the Ways and Means Committee saw it, was to be responsible for establishing and managing local family assistance plan offices and was to carry out other necessary functions with the exception of those which it might find appropriate to contract with other agencies to carry out. The committee indicated that it expected that other agencies within the Department, as well as other governmental agencies outside the Department, would lend their support to the extent that so doing would be consistent with the performance of the duties required to carry out their own programs, to assist the new agency in carrying out the provisions of the plan. For example, while the administration of the family assistance plan was to be completely separate and distinct from the social insurance programs, the committee indicated that it expected that the computer equipment and other capabilities of the Social Security Administration would be utilized in the administration of the family assistance plan to the extent that it was economical and efficient to do so, taking into account the mission of the new agency. No part of the cost of rendering such service, however, was to be chargeable to the trust funds administered by the Social Security Administration. The committee's discussion of the administration of the family assistance plan did not make specific reference to the adult programs.

The committee further stated that because the full development of administrative policies, procedures, and methods to carry out the program would require considerable time and since the time permitted between enactment and the effective date was limited, it would be desirable for the Department to request an advance appropriation to cover the costs of full-scale administrative planning for implementing the program.

During April hearings before the Committee on Finance, Secretary Finch stated that "We feel that this move toward a federally administered welfare program is an important one. We are convinced that income maintenance is a problem requiring a national solution and that uniform administration of eligibility determination and payments is essential to this solution." Secretary Finch further stated that "We feel that the Federal Government can pay out money more efficiently than 50 different systems can." [7]

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[7] U.S. Congress. House. Committee on Ways and Means. Family Assistance Act of 1970; Report on H.R. 16311. Washington, U.S. Govt. Print. Off., 1970. 91st Congress, 2nd session. House. Report No. 91-904, p. 27.

State plans

As with H.R. 14173, the requirements of a State plan under H.R. 16311 were essentially the same as those of existing law. Several new requirements were added to permit more of the time of trained social service workers to be spent in providing professional services for people in need, and to provide increased employment opportunities for the disadvantaged. Other new requirements included training and effective use of paid subprofessionals, volunteers, and social service personnel; use of a simple declarative statement subject to later verification; periodic evaluation of the State plan, and obligation of the States to observe priorities and standards set by the Secretary.

As with H.R. 14173, the State was not permitted to impose an age requirement of more than 65 years, a residency requirement, a citizenship requirement that excluded a U.S. citizen, a requirement to exclude aliens lawfully admitted for permanent residence who have resided in the U.S. for 5 years prior to application, a disability requirement that excluded the disabled over age 17 with a severe disability, a blindness or age requirement that excluded the blind.

Income

Earned income

Under existing law, a State was allowed, at its option, to disregard the first $20 per month of earnings of an aged person and one-half of the next $60 per month. H.R. 14173 had continued this disregard. H.R. 16311 liberalized this provision to permit States to disregard the first $60 per month plus one-half of the remainder of earned income.

For the blind, the State agency was required to disregard earned income of $85 per month plus one-half of the remainder, and was required for up to a year, and allowed for up to three years, to disregard additional amounts necessary for achieving self-support.

For the severely disabled, the same exemptions were to apply as for the blind except that the exemption of income necessary for self-support was to be used only for periods during which the individual was undergoing vocational rehabilitation. The mandatory disregard of $85 per month of earned income plus one-half of the remainder was a liberalization of the exemption in existing law and more liberal than the provision in H.R. 14173 which had made such disregards optional with the State. The committee adopted the mandatory provisions with the express intent of encouraging severely disabled persons to accept rehabilitation services and employment within their capacities and assuring equitable treatment between blind and disabled persons.

Unearned income

The bill continued the provision of law (excluded under H.R. 14173) allowing the State agency to disregard up to $7.50 per month of any income.

Resources

Under H.R. 16311 the resource limitation was set at $1,500 per individual. Disregarded were the home, household goods, personal effects and property necessary for self-support.

Relative responsibility

Under H.R. 16311, the States were not permitted to impose as a condition for payments any responsibility for a relative to support the individual except that a State could require that a spouse support the recipient or that parents support a child under 21 or a blind or a disabled child of any age.

Liens

H.R. 16311 did not include the provision included in the administration bill prohibiting the imposition of liens. The committee concluded that this subject should remain a matter of State discretion.

Definition of Disability

Under existing law, States were to provide disability assistance only to those who were found to be permanently and totally disabled. The committee felt that this definition denied assistance to many disabled individuals who were unable to support themselves and who were not entitled to social security benefits. As remedy, H.R. 16311 defined disabled to mean "severely disabled." The bill also specified that whether an individual were blind or disabled was to be determined in accordance with criteria prescribed by the Secretary. The committee indicated that it expected "severely disabled" to be interpreted to mean "persons whose physical or mental conditions substantially preclude them from engaging in gainful employment or self-employment." It was also expected that the disability would have to be one "that had lasted or could be expected to last for a period of 12 months or result in death." Thus, the committee report stated that the "definition of severely disabled would have followed closely the definition used for disability insurance benefits under title II."

Secretary Richardson, in July hearings before the Committee on Finance, indicated that the administration intended to follow a definition of disability that would be very close to that used under title II of the Social Security Act.

Most States were already using identical definitions of blindness insofar as central visual acuity was concerned, i.e., less than 20/200 in the better eye with maximum correction. The committee bill provided for a uniform national definition of blindness using this same definition.

Institutions

Payments were not allowed for inmates of public institutions (except for patients in a medical institution) or patients under 65 in tuberculosis or mental institutions.

Pass-Along

The Social Security Amendments of 1969 had required each State to assure that recipients of aid under the adult category programs who also received social security benefits would realize a $4 increase (or, if less, the amount of the increase in the social security benefit) in total income for March through June 1970. H.R. 16311 made this provision permanent.

Coordination With Other Programs

Food stamps

Under H.R. 16311, recipients of aid to the aged, blind, and disabled were to remain eligible for food stamps.

Social services

States providing social services for the aged, blind, and disabled aimed at helping them attain capability for self-support or self-care could qualify for Federal matching for services. The bill continued the existing matching formula under which the Federal Government paid 75 percent in the case of certain specified services and for training of personnel.

Transition Features

The bill provided a grace period during which the States could be eligible to participate without changing their tests of blindness or disability. The grace period was to end July 1, following the close of the first regular session of the State's legislature beginning after enactment.

Legislative Action

House passage

On April 15, 1970, conservatives failed in an attempt to kill H.R. 16311 when the House voted 205 to 183 to accept a closed rule, preventing opponents from offering amendments to the bill from the floor. Opponents of the legislation then made various other procedural attempts to kill the bill. However, on April 16, 1970 the House voted 243 to 155 in favor of H.R. 16311.

Committee on Finance hearings

On April 29, 1970, the Senate Committee on Finance opened hearings on the family assistance plan. Almost immediately the bill encountered opposition. The objections related primarily to the family assistance plan rather than to the changes proposed for the adult categories. Some committee members indicated that they felt that the administration had not provided adequate cost estimates, had not shown conclusively how the plan would encourage welfare recipients to work, and had not devised a plan that would take into account the contributions made by other programs such as public housing, food stamps, and rent supplements. After only 3 days of hearings, the committee sent the measure back to the administration for reworking. On June 11, 1970, the Secretary of HEW and

the Secretary of Labor submitted the result of their review to the Committee on Finance.

JUNE AND OCTOBER REVISIONS OF H.R. 16311—A SENATE BILL, H.R. 17550

THE JUNE REVISION

Fiscal Impact on the States

In order to provide greater certainty to the States on the cost impact of welfare reform, the administration's June revision proposed an extension of the "hold harmless" provisions of the House bill. Under the House-passed bill, States had been assured that for each of the 2 years after the effective date of the program, they would have to spend no more on welfare than what was estimated to be their costs under existing law. Under the new proposal, the Federal Government was to pick up any State costs required by the bill which were in excess of their actual expenditures in fiscal year 1971 plus a factor for cost-of-living increases. This so-called "hold harmless" was to be permanent, although optional State benefit increases in the AFDC supplementary program, while still matched by the Federal Government were not to be included.

The Department estimated that under such a plan the States would save $166 million in connection with aid to the aged, blind, and disabled. California and New York together would receive 60 percent of that fiscal relief—about $98 million. The savings to the States for the entire bill—adult categories and family assistance—were estimated by HEW to be $661.5 million.

Costs

The House report on H.R. 16311 stated that the cost of the entire bill was $4.4 billion over expenditures in existing law in 1968 terms. The cost of President Nixon's bill had also been estimated at $4.4 billion over expenditures in existing law. However, the components of the total cost were changed. As mentioned in the previous chapter, in calendar year 1968 terms, adult assistance under the President's proposal would have cost $400 million over expenditures in existing law. The cost of the changes in the adult assistance categories under the committee bill would have cost $500 million.

The Senate Committee on Finance requested new data on the costs of the House-passed bill, taking into account the existing 5 percent unemployment rate and updated to 1971. In a report issued in June, the administration estimated that costs for the changes in the adult categories would be $600 million in fiscal year 1971 terms.

TABLE 6.—COMPARISON OF FEDERAL SHARE OF ADULT CATEGORY AID H.R. 16311, AS REVISED, AND CURRENT LAW—1971–76

[In billions of dollars]

	1971	1972	1973	1974	1975	1976
H.R. 16311, as amended	$2.8	$3.0	$3.2	$3.3	$3.5	$3.7
Current law	2.2	2.4	2.6	2.7	2.8	3.0

Source: Committee print: H.R. 16311. The Family Assistance Act of 1970. Revised and resubmitted to the Committee on Finance by the Administration. June 1970

During hearings conducted by the Committee on Finance, the confusion over cost estimates came into focus. A House staff report indicated that the total cost of H.R. 16311 in fiscal year 1971 terms would be $8.2 billion ($2.7 billion of which would be for the adult assistance categories). The administration's June revision was estimated to cost a total of $9.1 billion ($2.8 billion for the adult categories). The net increase over current law according to the House staff report was $3.7 billion and according to the administration revision was $4.1 billion.

On the face of it, it appeared that the administration's June revision cost $900 million more than the House-passed bill ($9.1 billion less $8.2 billion). However, Secretary Richardson was careful to point out that it was not possible to make direct comparison of the two sets of figures since the more current set was based on improved and updated methodologies as well as more current data and more timely projections from the States.

Richardson explained that the increase of $900 million resulted from two factors. The first, an estimate for providing food stamps to more people accounted for $400 million. (The administration proposed to make it possible for a family to "check off" its food stamp purchase and receive its food stamp allotment automatically with its family assistance check.) The remaining $500 million increase was attributed to revisions due to rising estimates of the cost of AFDC and adult category benefits. Richardson stated that the Department had not made any revisions in the bill that added to the legislation's cost. The only added cost element was the $400 million for food stamps and that change could have been accomplished by administrative action.

The administration further argued that it was not possible to compare the estimates for fiscal year 1968 with fiscal year 1971 estimates because (1) components of the proposed Family Assistance Act varied as it moved through the legislative process; (2) estimating procedures were updated and improved; and (3) estimates of the costs of welfare under present legislation had been increasing with more current reports from the States. When net costs were presented, those for different years reflected actual (or estimated) costs under existing legislation as well as differences in the Family Assistance Act.

Thus, the estimated Federal share of adult category costs under the administration proposal changed as projections for current programs were revised. A reduction in the estimated additional costs due to the administration's proposal was offset by applying it to a more recent and higher estimate of costs under existing law. This is shown below in table 7.

TABLE 7.—COMPARISON OF 2 ESTIMATES OF 1971 COSTS OF PAYMENTS IN ADULT CATEGORIES

[In billions of dollars]

	Estimates appearing in—		Difference
	Senate committee print	House report	
Additional costs due to proposed changes	0.6	0.7	−0.1
Estimated cost under current law	2.2	2.0	.2
Total cost	2.8	2.7	.1

Source: Committee on Finance hearings on H.R. 16311, p. 479.

Caseloads

Below is a comparison of projected adult category recipients under the administration's June revision of the family assistance plan and existing law for the years 1971 through 1976.

TABLE 8.—COMPARISON OF PROJECTED ADULT CATEGORY RECIPIENTS UNDER H.R. 16311 AND CURRENT LAW 1971–76

[In millions]

	1971	1972	1973	1974	1975	1976
June revision, H.R. 16311	3.2	3.3	3.5	3.6	3.8	3.9
Current law	3.1	3.2	3.4	3.5	3.7	3.8

Source: Finance Committee print. Family Assistance Act of 1970. June 1970, p. 24.

These estimates submitted by the Department projected an increase of only 100,000 adult recipients, yet a Social Security Administration study showed that over 1 million aged persons and nearly 1 million disabled persons who were not in receipt of welfare had incomes below $110 per month. When asked why the Department assumed that so few of those persons would receive benefits under the bill, Secretary Richardson stated:

> The programs have existed for a long time, and the people who are eligible for them are well aware of the availability of benefits. The only real significant changes brought about by this legislation would be establishment of uniform national minimum benefits and a change in the basis of Federal matching.
>
> The bill wouldn't significantly affect the kind of things that influence eligible individual's decisions to apply for benefits. So the 100,000 caseload increase that is shown is an increase that results from expanding coverage to a larger number of people through an overall increase in the minimum level of benefits.[8]

[8] U.S. Congress. Senate. Committee on Finance. Family Assistance Act of 1970. Hearings, 91st Congress, 2nd session on H.R. 16311. April 29–August 8, 1970. Washington, U.S. Govt. Print. Off., 1970: 624.

Federal Eligibility Standards

The June amendments made various changes relating to the determination of need in the adult categories.

Earned income

A major change made it mandatory rather than optional for the States to disregard, in the case of the aged, the first $60 per month of earnings plus one-half of the remainder. The earnings disregard provision for other assistance recipients had already been mandatory. A further change limited the work-related expenses that could be disregarded in determining earnings under title XVI to those expenses necessitated by the individual's age, blindness, or disability.

Standard of need

The June amendments provided that States with payment levels for the aged, blind, or disabled of more than $110 per month (as of January 1970) be required to at least maintain those levels under the new title XVI program (rather than to maintain their standard of need as provided under the House-passed bill). For example, if a State had a standard of need of $140 but actually paid no more than $120, that State would be required only to maintain the $120 payment level.

Lien and relative responsibility

During hearings before the Committee on Finance, the administration indicated that it felt that as a matter of public policy it would be better to eliminate liens. However, it accepted the judgment of the Committee on Ways and Means, which had recommended that liens remain a State option, and the Administration did not recommend reinstituting a prohibition of liens in the revised H.R. 16311.

Under the House bill, an individual could not be considered financially responsible for an aged, blind, or disabled person unless the aged, blind, or disabled person were the individual's spouse, or unless he were the individual's child under age 20 or the individual's blind or disabled child of any age.

In the revised bill, the age 21 was changed to age 22. The change from age 21 to 22 was made for the purpose of making the age consistent with the upper age for a child attending school which was recognized elsewhere in the act. It had no substantive effect since the only children who could be recipients under this act would be blind or disabled and at either age 21 or 22 the provision permitted the States to hold parents responsible for a blind or disabled child. The only substantive effect of having any age included was that it eliminated the possibility of parents being held responsible for aged persons. While this was unusual, there had been cases in which, for example, a 90-year-old parent was held responsible for a 70-year-old dependent "child."

Areas of Secretarial Discretion

One of the major concerns of the Committee on Finance had been the number of areas in which the Secretary of HEW was allowed a large degree of discretion. The House-passed bill contained

21 major areas of secretarial discretion, as itemized by the Committee on Finance. According to the Committee on Finance, the June revision eliminated discretion in seven sections, reduced it in four, and retained it in ten. The committee was not satisfied with the changes made in the area of secretarial discretion. In a committee print, the committee staff stated:

> In most cases the administration revision neither changes the language of H.R. 16311 nor has the administration indicated the policy it will follow under the discretionary authority. In some cases, the language of the bill specifically authorizing the Secretary to issue regulations has been deleted in the administration revision, although there is still no indication of policy—thus the deletion has no practical meaning.[9]

Below are some examples of areas of secretarial discretion contained in the June revision of H.R. 16311 relating to the adult category programs.

(1) The Secretary was to prescribe criteria for determining disability or blindness.

(2) The State agency was required to submit any reports required by the Secretary.

(3) The Secretary was authorized to design a simplified statement for use in establishing eligibility.

(4) The Secretary was authorized to issue regulations prescribing the means of verifying eligibility.

(5) Disregarded as a resource was property essential to the family's means of self-support, as determined in accordance with and subject to limitations in regulations of the Secretary.

Legislative Action (Committee on Finance)

From July 21 through September 1970, the Committee on Finance held hearings on the revised bill. On October 8, the committee took a tentative vote on the bill and rejected it by a vote of 14 to 1. The committee at the same time rejected, by a vote of 9 to 4, a substitute introduced by Senator Ribicoff (D.-Conn.) to test the family assistance plan in selected areas of the country and then put it into effect nationally on January 1, 1972. By a vote of 9 to 3, the committee adopted a measure to allow limited test runs of the program, but provided no date for putting it into effect nationally.

THE OCTOBER REVISION

On October 13, 1970, Under Secretary Veneman presented to the committee another revision of H.R. 16311. Throughout the month of October, the Department continued to make changes. Following are the major changes made in the October revision as they affected the adult categories:

(1) The June revision had limited the work-related expenses that could be disregarded in determining earnings to those expenses necessitated by the individual's age, blindness, or dis-

[9] U.S. Congress. Senate. Committee on Finance. Material related to administration revision of H.R. 16311. (Committee print) Washington, U.S. Govt. Print. Off., 1970: 36.

ability. The new revision provided that in the case of the blind, all work-related expenses must be disregarded.

(2) The October revision provided that a State be allowed to take into account parents' financial responsibility only with respect to minor children.

(3) Many States had need standards and payment levels in excess of the $110 per month minimum proposed for title XVI recipients but paid less than that amount for recipients who had reduced housing costs as a result of shared living arrangements with relatives. An amendment in the October revision permitted States to consider such savings in housing expenses for the purposes of meeting the $110 minimum.

(4) In the October revision the administration withdrew its proposal for a separate social services title of the Social Security Act and proposed that the administration of cash assistance and social services be separated. As a precondition to obtaining the 75 percent matching rate for services under title XVI, staff providing services were to be located in organizational units separate from assistance payment units up to the administrative level prescribed by the Secretary. The Secretary was empowered to authorize exceptions where he found it administratively unfeasible to separate these functions.

(5) The October revision proposed a statutory definition of "severely disabled." The definition used followed the language of the Committee on Ways and Means report and that used in title II of the Social Security Act, with the further stipulation that potential employment for the disabled person must be located within a reasonable distance from his home. Recipients of aid under the existing programs at the time of the effective date of the provisions were to be included, at the State's option, for aid under the new title XVI program as a protection for those who would otherwise have been excluded by the new definition.

Costs and Caseloads

The October revision resulted in no change in the estimates of numbers of persons eligible for adult assistance or the costs of the adult category programs.

Legislative Action (Committee on Finance)

On November 20, 1970, the Committee again voted on the administration plan. The committee declined to accept the President's family assistance plan as an amendment to the Social Security Act. Rather it was the committee's decision that several possible approaches to welfare reform should first be tested to determine if they would have any chance of successfully reducing the incidence of dependence on welfare in this country.

On December 11, 1970, the Committee on Finance reported a conglomerate bill, H.R. 17550 (S. Rept. 91-1431), which included tests of welfare plans, social security, medicare, medicaid, and foreign trade provisions. The bill contained the following provisions relating to welfare benefits for the aged, blind, and disabled.

Benefit Levels

The bill established a national minimum income level of $130 per month for an individual and $200 per month for a couple. In the aged category, this provision was to increase assistance for eligible aged individuals in about 31 States and for eligible aged couples in about 36 States. The bill provided that persons receiving such assistance would be ineligible to participate in the food stamp program. In effect, the Committee on Finance amendment was intended to give needy persons cash in lieu of food stamps.

Fiscal Relief to the States

The Committee on Finance adopted an amendment which generally would not have required States in future years to spend more for assistance to the aged, blind, and disabled than 90 percent of their expenditures for this purpose in calendar year 1970. The 10 percent savings was to be paid from Federal funds as would be the full amount of any increased expenditures resulting from mandatory provisions of the bill, such as the $10 pass-along of social security increases and the $130 per month national minimum standard for assistance to the aged, blind, and disabled. Increases in caseloads resulting from normal program growth were also to be paid for fully with Federal funds, but increased expenditures resulting from liberalizations in State welfare programs not required by Federal law were not covered by the 90 percent limitation. The costs of such nonmandatory program liberalizations were to be shared by the Federal and State governments in accordance with regular matching provisions.

Pass-Along

Under a previously announced decision of the committee, social security benefits were increased by 10 percent with the minimum basic social security benefit increased to $100 per month from the existing $64 per month level. If no modification were made in the welfare law, however, many needy aged, blind, and disabled persons would have gotten no benefit from these substantial increases in social security since offsetting reductions would have been made in their welfare grants. To assure that such individuals received at least some benefit from the social security increases, the committee approved an amendment requiring the States to raise their standards of need for those in the aged, blind, and disabled categories by $10 per month for single individuals and $15 per month for couples. As a result of this provision, recipients of aid to the aged, blind, and disabled who were also social security recipients were to have an increase in total monthly income of at least $10 per month ($15 in the case of a couple).

Definitions of Blindness and Disability

The Committee on Finance bill made applicable to these programs the definition of blindness and disability which were used in

the disability insurance program established under title II of the Social Security Act.

The term "disability" was defined in the committee bill as "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months." Under H.R. 17550, as in the disability insurance program, this definition could be met only if the disability were so severe that an individual "is not only unable to do his previous work, but cannot, considering his age, education, and work experience, engage in any other kind of substantial gainful work which exists in the national economy, regardless of whether such work exists in the immediate area in which he lives, or whether a specific job vacancy exists for him or whether he would be hired if he applied for work."

The term "blindness" was defined as central visual acuity of 20/200 or less in the better eye with the use of correcting lens. Also included in this definition was the particular sight limitation know as "tunnel vision."

The committee bill permitted States to continue assistance to disabled or blind individuals who were already on the rolls under the existing State definition, but who would not have met the Federal definition of blindness or disability.

Liens

The bill prohibited the imposition of liens against the property of blind persons as a condition for eligibility for aid to the blind.

Legislative Action

On December 16, 1970, welfare reform went to the Senate floor. Senator Long opened the debate by stating that "there is no pressing need to completely throw out our present programs for the aged, blind, and disabled and start a new program. These programs, on the whole, have been working well. They have been responsive to the needs of poor people, and the rolls have remained fairly steady. The committee therefore determined to make desirable improvements in these programs, but not at this time to change their basic direction."[10]

For 2 weeks, the bill was delayed because of filibusters against the trade provisions and the limited welfare testing plan approved by the Senate Committee on Finance.

Those who supported the family assistance plan, including Senators Ribicoff and Wallace Bennett (R.-Utah) tried to amend the bill by substituting a modified version of the original administration bill. They were unable to get a vote on the amendment because of parliamentary maneuvering.

Before Ribicoff could offer his amendment, Senator John Williams (R.-Delaware) offered an amendment which forced a vote on the trade portions of the bill. The trade bill's opponents immediately began to filibuster.

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[10] Long, Russell. Social Security Amendments of 1970. Remarks in the Senate. Congressional Record, v. 116, December 16, 1970: 41808.

On December 18, the Senate rejected by a 31 to 58 roll call vote a motion by Senator Long to table the Williams amendment. Ribicoff was then free to offer his amendment and thus demand a vote on welfare reform before the Senate could proceed to the Social Security or trade provisions of the bill.

On December 19, Senator Long moved to table the Ribicoff amendment. He felt that there was little realistic possibility of passing the family assistance plan and he did not want to spend further time debating it. His motion was defeated by a vote of 15 to 65.

On December 28, Senator Long proposed that the entire bill be recommitted to committee with instructions to report back only the sections covering social security, medicaid and medicare reforms, and certain changes in the existing welfare system.

The Senate adopted the Long motion by a 49 to 21 vote thus killing any further chance in the 91st Congress of passing the family assistance plan.

On December 29, the Senate by an 81 to 0 vote passed the revised version of H.R. 17550. The House refused to go to conference on the social security measure and thus both the family assistance plan and the social security measures as well as the provisions relating to adult assistance died in the 91st Congress. Representative Wilbur Mills, House Ways and Means Committee chairman, pledged early action in the new Congress.

H.R. 1, THE SOCIAL SECURITY AMENDMENTS OF 1971

In his January 1971 State of the Union message, President Nixon repeated his support for welfare reform by listing it as one of his "six great goals" for action by the 92nd Congress.

On January 22, 1971, H.R. 1, the Social Security Amendments of 1971, was introduced in the House of Representatives. The bill contained welfare provisions representing the latest version of the family assistance plan. In general, the provisions of H.R. 16311, the Family Assistance Act of 1970, which passed the House in April 1970, were incorporated in H.R. 1.

Between January and May, the Department of HEW submitted numerous proposals for changes in H.R. 1. The Committee on Ways and Means held many executive sessions during which time the bill was studied and refined.

WAYS AND MEANS REPORTS H.R. 1

On May 26, 1971, the bill was reported to the House (H. Rept. 92-231). In its committee report, the Committee on Ways and Means stated that adult programs were more susceptible to rapid and efficient reform than the family programs because of the smaller numbers of people involved, smaller budgets, and more nearly static beneficiary rolls. Contributory social insurance and other sources of income—private pensions, annuities, and other income from assets—were sufficient to keep the total income of the majority of the aged, blind, and disabled from falling below the poverty line. The committee stated that it was its belief that, to the extent possible, contributory social insurance should continue to be relied on as the basic means of replacing earnings that had been

lost as a result of old age, disability, or blindness. However, for persons whose social security income was insufficient, the Committee proposed a program to serve as a complement to the social insurance program.

The committee report stated that the purpose of the program was to provide:

> (1) An income source for the aged, blind, and disabled whose income and resources fall below a specified level.
>
> (2) Incentives and opportunities for those able to work or to be rehabilitated that would enable them to escape from their dependent situations; and
>
> (3) An efficient and economical method of providing this assistance.[11]

Following is a detailed description of the adult category provisions of the bill as reported.

BENEFIT LEVELS

Under the committee bill, individuals or couples were eligible for assistance when their monthly countable income was less than the amount of the full monthly payment. Full monthly benefits for a single individual were $130 for fiscal year 1973, $140 for fiscal year 1974, and $150 thereafter. For couples, the full monthly benefits were $195 for fiscal year 1973 and $200 for fiscal year 1974 and thereafter.

The committee report indicated that the benefit payable to a couple was smaller than the combined benefits payable to two individuals in order to take account of the fact that two people living together could live more economically than they could if each lived alone.[12] The committee indicated that it felt that the basic Federal assistance benefits provided under the bill represented a realistic attempt to establish uniform national minimum standards of assistance.

FEDERAL FUNDING/FISCAL RELIEF

Under H.R. 1, the Federal payments were 100 percent federally funded. However, States were allowed to make supplementary payments. States choosing to make supplementary payments were guaranteed that during the 5 fiscal years, 1973 through 1977, their costs would not exceed their expenditures for cash assistance recipients under existing programs in calendar year 1971 if: (1) The supplementary payments were administered by the Federal Government, and (2) the payment levels were not higher than those in effect in January 1971, plus the value of the food stamp bonus in 1971.

STATE SUPPLEMENTATION

The committee report made this statement regarding State supplementary payments:

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[11] U.S. Congress. House. Committee on Ways and Means. Social Security Amendments of 1971; Report on H.R. 1. Washington, U.S. Govt. Print. Off., May 26, 1971. (92nd Congress, 1st session. House. Report No. 92-361). p. 146-147. (Additional references to this report will be indicated in the text with the page number in parenthesis at the end of the material quoted.

[12] Ibid., p. 150.

> Your committee recognizes, however, that because of the variations in living costs from one area to another and for other reasons, a complete uniformity of assistance levels throughout the Nation is not presently attainable nor even necessarily desirable. In general, it is anticipated that those States which now provide assistance at a level below that of the new Federal programs of your committee's bill will find the Federal benefits adequate to meet the essential needs of the poor in their areas while those States which currently have higher payment levels would find it desirable to supplement the Federal assistance payments. Your committee's bill accordingly leaves each State completely free either to provide no supplementation of the Federal assistance payments or to supplement those payments to whatever extent it finds appropriate in view of the needs and resources of its citizens.[13]

The committee report also made this statement regarding special needs payments:

> Your committee recognizes, however, that it is customary in many States to take into account, on a case-by-case basis, certain special needs of some families and of some aged, blind, or disabled people who are in unusual circumstances leading to financial needs that are not met under the general standards established by the States. In these instances, many State welfare programs provide a payment for the special need on top of the general need standard. For example, an aged, blind, or disabled person may be unable to provide housekeeping services for himself but not be in need of expensive care in a nursing home or extended care facility. In such a case he sometimes needs the services of a houskeeper who comes in on a regular basis to perform this task for pay; or, he may live in a private home where these services are provided for him for a specified amount of payment. In these circumstances the basic assistance standards of the State may not be high enough to meet his needs and the extra expense may be budgeted and met by the State as a "special need." Your committee believes, however, that the responsibility of the Federal Government in administering a State program of supplemental payments should generally be limited to administration of a basic unform payment which does not vary according to such "special need" and is the same throughout the State and that any additional "special need" payments should be generally made directly by the State. Thus, a State could also pay an additional amount on an individual case-by-case basis to recompense the special needs cases. This additional payment would have no effect on either the amounts payable under the Federal program or the federally administered State uniform supplementation program.[14]

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[13] Ibid., p. 199.
[14] Ibid., p . 200.

If a State were to elect to enter into an agreement under which the Federal Government would administer its supplementary payments, it would have to abide by certain rules. Supplementation would have to be provided to all individuals eligible under the basic Federal assistance programs. The State supplementation would have to be provided under such terms and conditions as the Secretary found necessary for effective and efficient administration. In general, it was anticipated that the same rules and regulations would be applied to both Federal payments and State supplementary payments with the only difference being the level of such payments. However, the bill provided that the Secretary could agree to a variation affecting only the State supplementary payments, if he found that he could do so without materially increasing his costs of administration and if he found the variation consistent with the objectives of the program and its efficient administration.

The bill authorized the States to establish conditions of eligibility for State supplementary payments which would have the effect of requiring applicants to reside within the State for some period of time prior to receiving such payments. The State would have been able to incorporate such conditions into its agreement for Federal administration and the Secretary would have been expected to carry out such residency requirements.

ADMINISTRATION

The bill encouraged States to enter into agreements for Federal administration of the States' supplementary payments by not requiring the States to make any contributions toward the administrative costs arising out of these agreements, in addition to guaranteeing the States that opted for Federal administration that there would be no increases in the cost of making supplementary payments.

The committee report stated that the committee felt that successful administration of the welfare program which it recommended could best be achieved by utilizing the Administrative structure of the Social Security Administration. The committee report emphasized the need to prevent confusion between the new assistance program and the old age survivor and disability insurance program. Although a single agency was to administer both programs, the committee stated that it did not intend that the new assistance program be merged with the social insurance program. The report stated that "each is to maintain its unique identity and this uniqueness would be stressed by requiring separate applications and reports for each type of benefit and in particular by issuing separate benefit checks."[15]

In order to achieve an orderly transition from the State programs, the bill provided that during the first year of the program interim agreements could be made between the States and the Secretary of HEW. Such agreements would permit the States to administer, on behalf of the Secretary, the new program during a part or all of the first year. The bill also allowed the Secretary to

[15] Ibid., p. 158.

begin taking applications for assistance under the new program before July 1972 and provided for technical assistance to the States to facilitate the takeover of State records.

Because of the problems inherent in determining administrative costs related to the SSI program as a result of the fact that the same offices were to be providing services for both SSI and the OASDI program, the bill provided authority for making the initial disbursements from the OASDI trust fund. This provision was to be an administrative convenience and the monies were to be promptly repaid to the trust fund, with additional payments to make up for interest earnings that had been lost to the trust fund as a result of the transaction.

FEDERAL ELIGIBILITY STANDARDS

The bill provided that each aged, blind, and disabled individual was to receive assistance sufficient to bring his total monthly income up to $130 in fiscal year 1973, $140 in fiscal year 1974, and $150 thereafter. For couples the levels were $195 for fiscal year 1973 and $200 thereafter. In order to be eligible, an individual had to be a resident of the United States, Puerto Rico, the Virgin Islands, or Guam, and a citizen of the United States or an alien lawfully admitted for permanent residence.

Income

In determining an individual's eligibility and the amount of his benefits, both his earned and unearned income were to be considered. The definition of earned income followed generally the definition of earnings used in applying the earnings limitation of the social security program. Unearned income meant all other income, including benefits from other public and private programs, prizes and awards, proceeds of life insurance not needed for expenses of last illness and burial, gifts, support, inheritances, rents, dividends and interest, and so forth. For people who lived as members of another person's household, the committee established a separate rule:

> In recognition of the practical problems that would be encountered in determining the value of room and board for people who live in the household of a friend or relative, the bill would provide specific rules for use in these situations. Under the bill, the value of room and board, regardless of whether any payment was made for room and board, would be assumed to be equal to one-third of the applicable benefit standard. For example, an individual who was entitled to a monthly benefit of $150 on the basis of a disability and who lived in the home of his son would have his monthly benefit reduced to $100 whether or not he paid for his room and board. On the other hand, if the individual lived in a rooming or boarding house, there would no reduction in his benefit.[16]

[16] Ibid., p. 152.

The following items were to be excluded from income:

(1) Earnings of a student regularly attending school.

(2) The tuition part of scholarships and fellowships.

(3) Irregular earned income of an individual of $30 or less in a quarter and irregular unearned income of $60 or less in a quarter.

(4) The first $85 of earnings per month and one-half above that for the blind and disabled (plus work expenses for the blind). The first $60 of earnings per month plus one-third of the remainder for the aged. In order to provide every opportunity and encouragement to the blind and disabled to return to gainful employment, the bill further permitted them to exclude additional income that was necessary to pursue a plan for achieving self-support.

(5) Home produce.

(6) One-third of child support payments for an absent parent.

(7) Foster care payments for a child placed in the household by a child-placement agency.

(8) Assistance based on need received for certain public or private agencies.

(9) Vocational rehabilitation allowances.

Resources

Individuals or couples were not eligible for payments if they had resources in excess of $1,500. The following items were to be excluded from resources:

(1) The home to the extent that its value did not exceed a reasonable amount, to be set by the Secretary of HEW.

(2) Household goods and personal effects not in excess of a reasonable amount, to be set by the Secretary of HEW.

(3) Other property found to be essential to the individual's support or selfcare (within reasonable value limitations). This could include an automobile needed for purposes of employment or to obtain medical treatment, or the tools of a tradesman.

(4) Life insurance policies (if there total face value were $1,500 or less). Other insurance policies were to be counted to the extent of their cash surrender value. In the case of a couple, each could have a life insurance policy of up to $1,500 face value.

(5) Where income producing property was not used as part of a business, the value of such property was to be excluded from the resource limitation only to the extent it was producing a reasonable return. Property not used in the operation of a business and which did not provide a reasonable return was to be considered as a resource. Assets such as buildings or land not used as the individual's abode which were not readily convertible to cash would have to be disposed of within a time limit prescribed by the Secretary. The Secretary might, however, have paid conditional benefits during the period allowed for disposal of these assets.

Definitions of Blindness and Disability

Under H.R. 1, as introduced, the Secretary was empowered to set the definitions of disability and blindness in regulations. As reported, H.R. 1 specified the definitions in the bill, thereby eliminating that significant area of secretarial discretion. The bill provided that the definitions of blindness and disability which were used in the disability insurance program under title II of the Social Security Act be generally applicable to the disabled and blind under the new adult assistance program.

The bill also included disabled children under the new program. The committee report made this statement with respect to the need to include disabled children in the program.

> It is your committee's belief that disabled children who live in low-income households are certainly among the most disadvantaged of all Americans and that they are deserving of special assistance in order to help them become self-supporting members of our society. Making it possible for disabled children to get benefits under this program, if it is to their advantage, rather than under the programs for families with children, would be appropriate because their needs are often greater than those of nondisabled children. The bill, accordingly, would include disabled children under the new program. Parent's income and resources would be taken into account in determining the eligibility and benefits of children under age 21.[17]

A person was to be considered disabled if he were unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which could be expected to result in death or had lasted, or was expected to last, for not less than 12 months. A child under 18 who was not engaging in substantial gainful activity was to be considered disabled under the bill if he suffered from any medically determinable physical or mental impairment of comparable severity. An individual (other than a child) was to be found disabled if he were not only unable to do his previous work, but could not, considering his age, education, and experience, engage in any other kind of substantial gainful work which existed in the national economy, regardless of whether such work existed in the immediate area in which he lived, or whether a specific job vacancy existed for him or whether he would be hired if he applied for work.

The bill provided that those blind and disabled persons who were on the benefit rolls in June 1972 under existing State programs were to be considered blind or disabled for purposes of the program.

Recognizing that under a needs-tested program securing medical evidence might be difficult for a claimant, the committee bill included a provision allowing the Secretary to secure the needed medical evidence.

A disabled individual who went to work was to have been allowed a trial-work period in which to test his ability to work before

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[17] Ibid., P. 147.

a decision could be made as to whether or not his disability had ceased. Under the trial-work provisions, a disabled individual could work in each of nine months, so long as he had a medically determinable disability, before it could be determined that his disability no longer prevented him from performing substantially gainful work. Any services performed would not serve to demonstrate an ability to engage in substantial gainful activity during the nine month period. However, after nine months of trial work had been completed, any work he had done would be evaluated to determine whether he had demonstrated an ability to engage in substantial gainful activity. If he had demonstrated this ability, it would be determined that he was no longer disabled.

Athough a person's work during the trial period was not to be considered in a determination of whether he continued to be disabled during the period, any nonexcluded earnings he had during the period would be taken into account in determing his income and consequently his eligibility for benefits.

VOCATIONAL REHABILITATION

Under H.R. 1, as reported by the Committee on Ways and Means, all individuals under the age of 65 in receipt of assistance benefits based on disability or blindness were to be referred to the State vocational rehabilitation agency for rehabilitation services. The Secretary was authorized to pay the full cost of the vocational rehabilitation services provided by qualified individuals. Every blind or disabled person who was offered rehabilitation services was required to accept such services.

In its report, the committee indicated that it felt that people who are disabled in whole or in part as the result of the use of drugs or alcohol should not be entitled to benefits under the program unless they undergo appropriate available treatment in an approved facility. The committee stated that it recognized that the use of drugs or alcohol might cause disabling conditions, but it also believed that when the condition is susceptible to treatment, appropriate treatment at government expense should be an essential part of the rehabilitation process. The bill further charged the Secretary with the responsibility of monitoring and testing those individuals undergoing such treatment and required him to submit to the Congress an annual report on his activities in this regard, with specific emphasis on the effectiveness of such treatment.

SPECIAL PAYMENT PROVISIONS

The bill provided that payment be made to initial applicants when there was strong evidence that the applicant would be found eligible and that he was faced with a financial emergency. Advances of up to $100 against future benefits could be paid in such instances.

A special provision was also included in the bill to enable disability benefit applicants to receive benefits during the period that their application was being processed. Under this provision, such applicants could be paid up to 3 months benefits when a prima facie case for determining that a disability existed had been presented. Any benefits paid under this provision were not to consti-

tute an overpayment if the individual were later found not to have been disabled.

The bill authorized the Secretary to arrange for adjustment and recovery in the event of overpayments or underpayments and to waive overpayments, if necessary, to achieve equity and avoid penalizing persons who were without fault.

The right of any persons to any future benefit was not transferable or assignable, and no money payable under the program was to be subject to execution, levy, attachment, garnishment, or other legal process.

REDETERMINATIONS

The bill required the Secretary to determine an individual's eligibility for benefits for each quarter in a year. The committee indicated, however, that that did not mean that quarterly investigations of all aspects of eligibility would be required in each case.

Disability and Blindness

The report stated that quarterly redeterminations of disability in many cases, or blindness in most cases, would serve no useful purpose. The Secretary therefore was given the authority to make redeterminations of blindness or disability at such intervals as he considered reasonable and necessary, considering the severity of the individual conditions and the purpose of the program.

Income and Resources

Eligibility determinations were to be made on a quarterly basis. However, the committee stated that "somewhat less frequent redeterminations of income and resources would be required in the cases of the very old, blind, or aged recipient or the extremely disabled—cases where large increases in income are unlikely." Whenever changes in income did occur, however, such persons were to report the changes and appropriate adjustments were to be made.[18]

COORDINATION WITH OTHER PROGRAMS

Beneficiaries and applicants for benefits were required to apply for, and make every effort to obtain, any other payment—whether or not based on need—for which they might be eligible. The committee indicated that the new program, financed from general revenues and with the benefits based on need, should pay people only to the extent that their needs are not met from other sources, including social security payments, Veterans Administration payments, and payments from private pension plans. Therefore, an individual who did not take all appropriate steps to obtain such payments within 30 days of the date that he applied for adult assistance benefits would not qualify for any payments under the new program.

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[18] Ibid., p. 149.

Food Stamps

The legislation amended the Food Stamp Act by providing that adults eligible for benefits under the assistance program in H.R. 1 were to be excluded from participation in the food stamp program. Eligibility for food under the commodity distribution program would have been retained.

Medicaid

Under existing law, States were required to cover under medicaid all people eligible for cash assistance payments. If this provision were carried over into the new assistance programs, many thousands of additional people, mostly aged, blind, and disabled would have been added to the medicaid rolls. In view of the large expenditures involved for the States, the committee decided not to require the States to cover the newly eligible but to leave the decision up to each individual State. The bill provided that despite any other requiremeents of title XIX (medicaid), no State would be required to provide medicaid coverage to any individual in any month where such person would not have been eligible for such assistance under the State plan in effect on January 1, 1971.

The bill also permitted the Secretary of HEW to enter into an agreement with a State under which the Secretary would determine eligibility for medicaid. The State was to be required to pay 50 percent of the additional administrative costs incurred by the Federal Government in carrying out the agreement. The agreement could have included determinations for the medically indigent as well as for those eligible for payments under the opportunities for families program, the family assistance plan, and assistance for the aged, blind, and disabled.

Social Services

The bill provided that each State be required to submit, by January 1, 1972, a plan to provide for separating social services administration from cash benefits administration by June 30, 1972. The Secretary could authorize exceptions within a State where he found it administratively not feasible to separate these functions, as for example in the case of very small offices.

It was stated that one purpose of the provision was to assure that State welfare agencies be in a position to assist in the administration of the new programs, as agents of the Federal Government, by January 1, 1972.

SPECIAL ELIGIBILITY FACTORS

Puerto Rico, Guam, and the Virgin Islands

For Puerto Rico, Guam, and the Virgin Islands a special provision was included under which the benefit amounts would have been adjusted (but only downward) by the proportions which the per capita income of each was to the per capita income of the State with the lowest per capita income.

Institutionalized Persons

In general, persons residing in public institutions were ineligible for benefits under the committee's version of H.R. 1. However, persons who were residents of certain public institutions, or hospitals or nursing homes which were receiving medicaid funds on their behalf were to receive SSI benefits of up to $25 per month reduced by countable income. No assistance benefits were to be paid to individuals in penal institutions.

HEARINGS AND REVIEW

The bill required that there be notice and opportunity for hearings for any person who disagreed with a determination with respect to eligibility for payments or the amount of payments. The individual was required to request a hearing within 30 days of receiving a notice of the determination. Decisions were to be rendered within 90 days following the request, except in cases regarding a disability determination. Payments made during the hearing process were to be considered overpayments if the initial determination was sustained. Final determinations were subject to judicial review in Federal district court, but the Secretary's decisions as to any fact were to be conclusive and not subject to review by the court.

The bill provided that the Secretary be empowered to establish the requirements to be used in selecting hearing examiners; i.e., examiners would not be selected under the conditions set forth in the Administrative Procedure Act. In all other respects, however, the hearings were to be conducted in accordance with the requirments of the Administrative Procedure Act.

PASS-THROUGH

The Social Security Amendments of 1969 required that the States increase their payments for the aged, blind, and disabled by $4 per month beginning with April 1970, the first month in which the social security benefit increases provided in that law were paid. Alternatively, States were permitted to disregard $4 per month of such increase for the aged, blind, and disabled assistance recipients who were also social security recipients. This provision was to expire on January 1, 1972. Under the committee bill, this provision of the Social Security Amendments of 1969 was made permanent and was made to apply to any optional State supplementary payments made under the new program.

CASELOADS

The Department estimated that in the first year of the program, 6.2 million aged, blind, and disabled persons would be eligible for benefits. In fiscal year 1975, the first full year in which the program would reach the ultimate benefit level provided for in the bill, it was estimated that 7.1 million aged, blind, and disabled persons would receive $5.4 billion in benefits.

Below is a comparison of the estimates of numbers of adults eligible for assistance under H.R. 1 and under the existing programs.

TABLE 9.—COMPARISON OF PROJECTED ADULT CATEGORY RECIPIENTS UNDER H.R. 1 AND CURRENT LAW, 1973–77

[In millions]

	1973	1974	1975	1976	1977
H.R. 1	6.2	6.6	7.1	6.2	7.2
Current law	3.4	3.4	3.5	3.5	3.6

Source: House Ways and Means report on H.R. 1, p. 227.

The committee expected that tight Federal administration and substantial improvements in the work and training aspects of the family assistance plan would bring the expansion of the caseloads under control. However, the committee recognized that patterns of State-to-State migration could result in an increase in caseloads for a given State even if national caseloads remained stable or decreased. For this reason, the "hold harmless" provisions described in an earlier section were incorporated into the bill to assure States that their welfare expenditures would not be increased over 1971 levels because of the effects of the provisions of H.R. 1 on State supplementary benefits which were administered by the Federal Government.

COSTS

The Department of HEW estimated that assistance and related payments for adults and families under the new programs would cost $14.9 billion in fiscal year 1973, $5.5 billion more than current law programs would have cost. Of the new costs deriving from H.R. 1, $1.6 billion (29 percent) represented fiscal relief for State and local governments and $1.5 billion (27 percent) represented additional income for aged, blind, and disabled recipients.

TABLE 10.—POTENTIAL FISCAL YEAR 1973 COSTS OF ASSISTANCE PROVISIONS UNDER H.R. 1 AS REPORTED BY THE HOUSE COMMITTEE ON WAYS AND MEANS

[In billions of dollars]

	Federal			State and local [1]			Net cost to all governments
	Current law	H.R. 1	Net cost	Current law	H.R. 1	Net cost	
Payments to families	3.9	[2] 5.8	1.9	3.3	3.1	−0.2	1.7
Less savings from public service jobs		−.3	−.3				−.3
Subtotal	3.9	5.5	1.6	3.3	3.1	−.2	1.4
Payments to adult categories	2.2	4.1	1.9	1.4	1.5	.1	2.0
Cost of cash assistance	6.1	9.6	3.5	4.7	4.6	−.1	3.4
Federal cost of "hold harmless" provision		1.1	1.1		−1.1	−1.1	
Food programs	2.4	1.0	−1.4				−1.4
Cost of maintenance payments	8.5	11.7	3.2	4.7	3.5	−1.2	[2] 2.0
Child care	.3	.8	.5				.5
Training	.2	.5	.3				.3
Public service jobs		.8	.8				.8
Supportive services		.1	.1				.1
Administration	.4	1.1	.7	.4		−.4	.3
Cost of related and support activities	.9	3.3	2.4	.4		−.4	2.0

TABLE 10.—POTENTIAL FISCAL YEAR 1973 COSTS OF ASSISTANCE PROVISIONS UNDER H.R. 1 AS REPORTED BY THE HOUSE COMMITTEE ON WAYS AND MEANS—Continued

[In billions of dollars]

	Federal			State and local [1]			Net cost to all governments
	Current law	H.R. 1	Net cost	Current law	H.R. 1	Net cost	
Total cost of program	9.4	15.0	5.6	5.1	3.5	−1.6	4.0
Impact on other programs		−.1	−.1				−.1
Grand total	9.4	14.9	5.5	5.1	3.5	−1.6	3.9

[1] Assumes that the States, through supplemental programs, maintain benefit levels including the value of food stamp bonuses.
[2] Includes only 6 months of payments to families in which both parents are present, neither is incapacitated, and the father is employed. The effective date for this provision is Jan. 1, 1973.
[3] Net benefit increases to recipients.

Source: House Ways and Means Report on H.R. 1, p. 208.

GROWTH RATES

The following annual growth rates were used in making projections:

TABLE 11.—PROJECTED ANNUAL GROWTH RATES UNDER EXISTING LAW AND H.R. 1

[Amounts in percent]

	Current law	H.R. 1
Caseload:		
Aged	2.0	2.0
Blind and disabled	5.0	2.0
Payments: Aged, blind, and disabled	2.5	0

Source: House Ways and Means Report on H.R. 1, p. 224.

It was assumed that benefit levels would not change except as specified in the bill. For both current and proposed programs for the aged, and for the proposed disability program, it was assumed that income growth would offset population growth. In contrast, it was assumed (based on recent experience) that the disabled program, if left unchanged, would continue to grow.

STATE SAVINGS

The following chart shows estimated savings in welfare expenditures for State and local governments under H.R. 1 as reported for fiscal year 1973.

TABLE 12.—ESTIMATED SAVINGS IN WELFARE EXPENDITURES FOR STATE AND LOCAL GOVERNMENTS UNDER H.R. 1, FISCAL YEAR 1973

[In millions of dollars]

State	State and local savings in welfare expenditures [1]				
	Total	Adult categories	Family category	Hold harmless payment	Administrative cost
Alabama	32.4	15.7	10.1		6.6
Alaska	2.5	−12.0	−.6	14.5	.6
Arizona	21.5	5.8	[2] 12.2		3.5
Arkansas	19.7	12.4	4.6		2.7

TABLE 12.—ESTIMATED SAVINGS IN WELFARE EXPENDITURES FOR STATE AND LOCAL GOVERNMENTS UNDER H.R. 1, FISCAL YEAR 1973—Continued

[In millions of dollars]

State	State and local savings in welfare expenditures [1]				
	Total	Adult categories	Family category	Hold harmless payment	Administrative cost
California	234.9	−14.0	16.6	135.4	96.9
Colorado	13.3	8.0	3.5	.....	1.8
Connecticut	21.3	−22.9	−7.0	38.6	12.6
Delaware	1.8	1.4	−.4	.1	.7
District of Columbia	12.6	1.4	10.7	.....	.5
Florida	170.3	35.4	[2] 128.9	.....	6.0
Georgia	51.8	22.3	19.7	.....	9.8
Hawaii	7.0	2.4	3.5	.....	1.1
Idaho	1.5	−1.6	−1.5	4.1	.5
Illinois	62.1	−69.0	7.1	105.3	18.7
Indiana	8.6	.8	−6.2	10.5	3.5
Iowa	26.7	20.6	2.9	.....	3.2
Kansas	14.2	8.4	2.2	.....	3.6
Kentucky	12.6	15.3	−8.3	.....	5.6
Louisana	65.4	31.4	22.3	.....	11.7
Maine	3.6	5.2	−10.8	8.0	1.2
Maryland	41.9	10.9	25.3	.....	5.7
Massachusetts	44.3	−50.9	−8.7	91.1	12.8
Michigan	45.4	−44.5	17.0	55.9	17.0
Minnesota	15.2	−13.0	−9.2	33.6	3.8
Mississippi	23.3	12.7	4.1	.....	6.5
Missouri	12.1	−2.6	−10.4	16.0	9.1
Montana	2.5	2.0	−.6	.....	1.1
Nebraska	3.1	−7.2	−6.2	14.8	1.7
Nevada	1.1	−4.5	.....	4.7	.9
New Hampshire	2.3	−7.2	−2.6	11.7	.4
New Jersey	50.1	−43.0	−56.3	137.2	12.2
New Mexico	7.3	6.0	−.3	.....	1.6
New York	188.4	−98.2	−41.0	213.6	114.0
North Carolina	31.9	19.6	7.5	.....	4.8
North Dakota	1.0	−1.7	−1.9	3.9	.7
Ohio	64.0	18.8	37.9	.....	7.3
Oklahoma	38.3	29.6	2.1	.....	6.6
Oregon	15.9	8.4	4.5	.....	3.0
Pennsylvania	51.3	−38.5	−48.2	124.8	13.2
Rhode Island	6.3	−6.0	2.3	7.2	2.8
South Carolina	13.8	4.7	4.6	.....	4.5
South Dakota	2.5	−4.1	−4.7	10.2	1.1
Tennessee	34.2	17.6	13.6	.....	3.0
Texas	57.1	54.8	−9.1	.....	11.4
Utah	3.4	2.7	.....	.....	.7
Vermont	1.1	−5.4	−3.2	9.3	.4
Virginia	10.4	−26.4	−12.0	45.5	3.3
Washington	11.4	−12.4	−7.2	28.2	2.8
West Virginia	18.3	8.0	8.5	.....	1.8
Wisconsin	33.3	15.3	8.3	.....	9.7
Wyoming	1.2	.3	−.5	.7	.7
Guam	.2	.1	.1	.....	.02
Puerto Rico	26.1	4.6	16.9	.....	4.6
Virgin Islands	1.1	.2	.7	.....	.2
Total	1,643.6	−82.3	140.8	1,124.9	460.2

[1] Estimates assume States maintain current benefit levels including food stamp benefits, and turn over program administration to the Federal agencies.

[2] This estimate incorporates a State expectation of major program change under current law.

Source: House Ways and Means Report on H.R. 1, p. 216.

The estimates of State savings assumed that all States would turn over administration of any supplemental programs to the Federal Government and would, thus, incur no administrative costs. These administrative costs savings were estimated by projecting forward current State costs at the rate that wage and salary income was expected to grow (6.3 percent per year). It was also assumed that States would maintain their current benefit levels including food stamp benefits.

LEGISLATIVE ACTION

House Floor

On June 22, 1971, H.R. 1 passed the House by a 288 to 132 roll-call vote. Earlier the same day the House had defeated a motion to delete the Family Assistance Plan from the bill.

Senate Action

On July 27, 1971 the Senate opened hearings on H.R. 1. Hearings were also held on July 29. The committee took no further action on the measure, but Chairman Long promised that action would resume in 1972.

ADULT ASSISTANCE IS FEDERALIZED; MAJOR WELFARE REFORM DIES

On October 17, 1972, Congress passed H.R. 1 (Public Law 92-603) which federalized the existing Federal-State programs of assistance for the aged, blind, and disabled. Individuals with no other income were to receive a minimum monthly Federal payment of $130 per month ($195 for a couple). States were permitted to supplement if they wished to do so.

Provisions aimed at reforming the AFDC program were deleted from the bill by House and Senate conferees. The consideration of H.R. 1 in the Senate was limited, with that body only beginning debate on the comprehensive bill on September 27, 3 weeks before the adjournment of Congress.

The remainder of this chapter details the events of 1972 leading to the ultimate passage of welfare reform for adults and deletion of any major program changes for the family programs.

SENATE ACTION

From January 20 through February 15, 1972, the Senate Committee on Finance held hearings on the House-passed bill. On June 13, the committee announced tentative approval of H.R. 1. With respect to the adult program, the Finance Committee proposed to abandon the House plan to eliminate the current Federal-State programs of aid to the aged, blind, and disabled and to replace them with a single Federal program. The committee proposal continued State administration of the programs of aid to the aged, blind, and disabled (in contrast to the federalized administration called for by the House bill) but set a Federal guaranteed minimum income level for the aged, blind, and disabled.

THE JUNE FINANCE COMMITTEE PROPOSAL

Benefit Levels

The proposal required States to provide minimum benefits of $130 for individuals and $195 per month for couples. It provided that the first $50 of social security or other income was not to reduce benefits.

Fiscal Relief

The cost to the States if providing additional assistance was to be less under the Committee provisions than under the House-passed version of H.R. 1. The following section from a Finance Committee print explains the provisions relating to Federal funding for the aged, blind, and disabled.

FEDERAL FUNDING OF AID TO THE AGED, BLIND, AND DISABLED

The committee bill establishes minimum Federal standards for assistance to the aged, blind, and disabled, but leaves to the States the administration of the program under State eligibility rules. To give the States both substantial fiscal relief and a fiscal stake in good administration, the cost of making assistance payments meeting the Federal payment level requirements would be borne entirely by the Federal Government up to a specified base amount under the following formula:

> Federal funding would be provided for the costs of assistance to the aged, blind, and disabled up to the standards required by the bill ($130 for an individual, $195 for a couple with a $50 disregard of all income and additional disregards of earned income). These costs would be fully Federal up to the higher of (1) the cost of meeting these standards for a State's existing caseload; or (2) the State's share of $5 billion distributed among the States in proportion to the number of aged individuals with income below $1,750 and aged couples with income below $2,200 in 1969. If State costs involved in meeting the Federally required payment levels exceeded the higher of these amounts, the Federal Government would also pay 90 percent of the excess. There would be no Federal funding with respect to assistance provided at levels above those required by the committee decision.

Under this formula most States would be required to pay a relatively small proportion of the costs involved in the committee decision. A number of States, however, would have no costs at all for 1974; but these States would be required to pay small amounts in future years when their caseload grows to the point that the fully Federal base amount is no longer sufficient to cover the payments required by the Federal standards. As a result, all States would be relieved of all but a very small amount of responsibility for the funding of aid to the aged, blind, and dis-

abled. However, there would be an incentive for the States to exercise control over caseload growth since they would be required to pay a part of the costs related to all additional recipients once the Federal base amount is exceeded.

In 1974, it is estimated that this formula would result in Federal Payments to the aged, blind, and disabled of $4.2 billion (compared with $2 billion under existing law). State costs under the bill would be $0.2 billion compared with $1.4 billion under existing law, yielding fiscal relief for the States of $1.2 billion. The same formulas would apply with respect to assistance for the aged, blind, and disabled in the remaining months of 1972 and in 1973. It is estimated that this will result in State savings of $0.2 billion this year and $1 billion in 1973.[19]

FEDERAL ELIGIBILITY STANDARDS

Income

In addition to providing for a monthly disregard of $50 of social security or other income, the committee approved an additional disregard of $50 of earned income plus one-half of any earnings above $50. The committee also provided that any rebate of State or local taxes received by an aged, blind, or disabled person was not to be counted as income or assets.

Eligibility for Other Benefits

The committee proposal required applicants to apply for any other benefits for which they might be eligible.

Definitions of Blindness and Disability

The committee approved amendments setting a Federal definition of blindness and disability. Disability was defined an "inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than 12 months." This definition is the same as the definition of disability used in the social security disability program. The definition further specifies that disability is met only if the disability is so severe that an individual is "not only unable to do his previous work but cannot, considering his age, education, and work experience engage in any other kind of substantial gainful activity which exists in the national economy regardless of whether such work exists in the immediate area in which he lives or whether a specific job vacancy exists for him, or whether he would be hired if he applied for work."

Blindness was defined as central visual acuity of 20/200 or less in the better eye with the use of correcting lens. Also included in

[19] U.S. Congress. Senate. Committee on Finance. Social Security and Welfare Reform—Summary of the Principal Provisions of H.R. 1 as Determined by the Committee on Finance. (Committee print) Washington, U.S. Govt. Print. Off., June 13, 1972: 115.

this definition was the sight limitation referred to as "tunnel vision."

The proposal permitted States to continue assistance to disabled or blind individuals already on the rolls under the existing State definition, but who would not meet the new Federal definition of blindness or disability.

Age Limit for Aid to the Disabled

The existing law required that an individual be 18 years of age or older in order to be eligible for aid to the disabled. The House-passed bill had deleted this age requirement. The Committee on Finance retained the provision of existing law.

Medicaid Coverage

Under existing law, the States were required to cover all cash assistance recipients under the medicaid program. The Committee on Finance proposal, like the House-passed version, exempted from this requirement newly eligible recipients who qualified because of the new $130 per month benefit level.

Liens

The Committee on Finance provisions prohibited the imposition of liens against the property of blind individuals as a condition of eligibility for aid to the blind.

ADMINISTRATION

The Committee on Finance decided that there would be no uniform eligibility rules as in the House bill. Determinations on such questions as assets, relative responsibility and other eligibility factors except those specified in the law were to be left to the States.

Administrative Costs

Under existing law, the Federal Government paid 50 percent of the cost of all administrative expenses. Because of the expectation of rising caseloads due to the new minimum payment levels, the bill provided that the Federal Government was to pay the States and amount equal to 100 percent of their calendar year 1972 administrative costs related to the aged, blind, and disabled plus 50 percent of additional costs.

COSTS

Under the committee proposal, the Federal share of aid to the aged, blind, and disabled for 1974 was estimated to be $4.9 billion, including $4.4 billion in assistance payments ($2.2 billion more than under current law) and $0.5 billion for administrative costs ($0.3 billion more than existing law). This $2.5 billion increase in Federal expenditures was offset by a reduction of $0.3 billion in food stamp costs for a net increase Federal cost of $2.2 billion. (Recipients were to be ineligible for food stamps but could get offsetting increases in cash assistance.)

TABLE 12.—*Aid to the aged, blind, and disabled—1974 (estimated)*

[In millions of dollars]	Cost
Present law:	
Welfare payments to aged, blind, disabled	2.2
Administration	.2
Food stamps	.3
Subtotal	2.7
Committee bill increases:	
Welfare payments (including food stamp cash-out)	2.2
Administration	.3
Food stamps	.3
Total increase	2.2

Source: Committee Print, June 13, 1972. Summary of the Principal Provisions of H.R. 1 as determined by the Committee on Finance, p. 127.

FINANCE COMMITTEE REPORT

From June through October, the committee intermittently held executive sessions on the bill, modifying many of the provisions which had been approved in the June 13 tentative bill.

On September 26, 1972, the Senate Finance Committee reported the bill (H.R. 1, S. Rept. 92-1230) overhauling the Nation's welfare system and replacing the existing programs of aid to the aged, blind, and disabled with a new Federal program of supplemental security income.

Below is a detailed description of the adult category provisions of the bill:

Benefit Levels

Aged, blind, and disabled persons with no other income were guaranteed a monthly income of $130 per month ($195 for a couple). States were free to supplement if they so chose.

Federal Funding/Fiscal Relief

The income levels under the bill were high enough to largely replace the payments then being made to the needy aged, blind, and disabled under State public assistance programs. Thus, the new program represented a considerable savings to the States. For 1974, it was estimated that the States would save $0.9 billion in their adult category program. In addition, the States could save administrative costs since the bill authorized agreements between the States and HEW for Federal administration of State supplemental payments without cost to the States.

Administration

The bill provided that if a State chose to make supplemental payments, and contracted with the Federal Government for Federal administration of the supplemental payments, the Federal Government would pay the full cost of administration. If the State chose to administer its own supplemental program, it would have to pay the full cost of administration.

The committee report indicated that the committee was convinced that by utilizing the administrative structure of the Social Security Administration excessive expansion of the Federal bu-

reaucracy could be avoided. The committee reemphasized the point made by the House report that there was no intent to merge the SSI program with the existing social security programs.

As a convenience, the bill permitted initial disbursements for administering the SSI program to be made from the OASI trust fund. Moneys were to be repaid promptly with an additional payment to make up for interest earnings that might have been lost to the trust fund. Any disbursements from the trust fund for the administrative costs of SSI were to be covered fully in advance by available appropriate funds. The report emphasized that in no way should the procedure be looked upon as a shortcut around the regular appropriation process or as a way to undercut limitations contained in enacted appropriations. Moreover, the bill provided that the authority to make expenditures out of the trust fund would expire after any fiscal year for which advances from the trust fund, including payments in lieu of lost interest, has not been repaid.

Federal Eligiblity Standards

Earned income

The bill provided that for the aged, blind, and disabled, the first $85 per month of earned income plus one-half of earned income above $85 was to be disregarded in computing an individual's (or couple's) income. Earned income was defined in the bill by reference to the definitions of earnings for the earnings test under the OASDI program and included both wages and self-employed income. (The House bill had excluded from income $60 of monthly earnings plus one-third of additional earnings for the aged.) For the blind and disabled, the bill contained a provision permitting such recipients to exclude additional income needed to pursue a plan that had been approved by the Secretary for achieving self-support.

Unearned income

Income which did not fall within the Committee's definition of earned income was to be considered unearned income. The kinds of income which were to be considered unearned included annuities, prizes and awards, proceeds of life insurance not needed for last illness and burial (with a maximum of $1,500), gifts, support payments, inheritances, grants, dividends, interest payments, as well as benefits from all other public and private pension, disability, or unemployment programs.

The House-passed bill had provided that unearned income would cause a dollar-for-dollar reduction in benefits. The Committee on Finance was concerned that under such a system a person who had retired after working many years under social security would end up with exactly the same total monthly benefit as an individual who had never worked. The committee bill, therefore, provided that the first $50 per month of regular income from any source (other than need-related income) would not be considered in determining eligibility for, or the amount of, the SSI payment.

Under the committee bill, the value of room and board for persons who live in the households of other persons, was to be assumed to be equal to one-third of the applicable benefit standard,

regardless of whether any payment was made for the room and board.

The bill provided for the following additional exclusions:

(1) Contributions of an employer into a health insurance or retirement fund.

(2) Rebates of State or local taxes.

(3) Payment provided on the basis of need by a State or local government (including from Indian tribes) to supplement the Federal SSI benefit (basically the SSI State supplement).

(4) Irregular and infrequent unearned income of $60 or less a quarter.

(5) Home produce used by members of the household for their own consumption.

(6) One-third of any payment received from an absent parent for the support of a child eligible for SSI payments; and

(7) Income received by eligible individuals for the care of a foster child placed in the individual's home by a public or nonprofit child placement or child care agency.

Resources

Individuals or couples were not to be eligible for payments if they had countable resources in excess of $2,500. The House bill had set a resource limit of $1,500. The following items were excluded from resources:

(1) The home to the extent that its value did not exceed a reasonable amount, to be determined by the Secretary.

(2) Household goods and personal effects and an automobile not in excess of a reasonable amount, to be set by the Secretary.

(3) Resources essential to an individual's means of support.

(4) Life insurance policies if the total face value is less than $1,500. In the case of a couple, each could have a life insurance policy of up to $1,500 face value. Otherwise, the cash surrender value of an insurance policy would count as a resource; and

(5) Income producing property not used as part of a trade or business would be excluded from the resource limitation only to the extent that it was producing a reasonable return. The exclusion would be based on a fixed percentage return, to be set forth in the regulations of the Secretary, in order to permit adjustments for changing economic conditions.

The bill also provided that assets such as buildings or land not used as the individual's abode which were not readily convertible to cash must be disposed of within a time limit prescribed by the Secretary. The Secretary may, however, pay conditional benefits during the period allowed for disposal.

The bill also provided that an individual was ineligible if he disposed of property to a relative for less than fair market value within one year prior to his application for benefits if retention of the property would have made him ineligible.

Definition of disability and blindness

The committee bill provided that the definitions of blindness and disability which are used in the disability insurance program estab-

lished under title II of the Social Security Act be generally applicable to disabled and blind people under SSI.

The Secretary was expected to secure the needed medical evidence where the evidence is needed to make a sound determination.

In order to facilitate an orderly transition, those blind and disabled people who were on the benefit rolls in December 1973 under existing State programs were to be considered blind or disabled for purposes of the SSI program provided that they met the definition of disability or blindness which was in effect as of October 1972.

Under the bill, a disabled individual who went to work was allowed a trial work period in which to test his ability to work before a decision would be made as to whether or not the disability had ceased. Under the trial work provisions, a disabled individual could work in each of nine months, so long as he had a medically determinable disability before it could be determined that his disability no longer prevented him from performing substantially gainful work. Any services he performed would not serve to demonstrate an ability to engage in substantial gainful activity during the nine-month period. After 9 months of trial work had been completed, however, any work he had done would be evaluated to determine whether he had demonstrated an ability to engage in substantial gainful activity. However, any income which he had during the trial work period was to be considered in computing his benefits.

Children.—The House-passed bill had extended eligibility to disabled children under the age of 18. Under the committee bill, the SSI program was to apply only to disabled persons 18 years of age and older. The Committee on Finance argued that although the needs of disabled children are greater than those of nondisabled children, they are greater only in the area of health care which is generally covered under the medicaid program.

Presumptive disability.—A special provision for the disabled was included in recognition of the fact that in some cases additional time would be needed to obtain and evaluate evidence to establish disability, and that a method would be needed to allow the claimant to meet his daily living expenses. Under this provision, a disabled applicant could be paid up to three months benefits when a prima facie case for determining that a disability existed had been presented. The committee report indicated that in order to avoid interruption of benefits, the committee expected that the Secretary would make the initial determination of disability before the end of the 3-month period. Any benefits paid under this provision were not to constitute an overpayment that could be recovered in the rare case where an individual was later found not to be disabled.

Drug addicts and alcoholics.—In general, drug addicts and alcoholics were ineligible for SSI benefits but were to be referred to the new alcoholism and addiction program established by the bill as title XV of the Social Security Act.

Coordination with Other Programs

Food stamps

Under the committee bill (as under the House-passed bill) individuals receiving an SSI payment were not eligible for food stamps. They also were not eligible for surplus commodities.

Social services

H.R. 1 contained provisions regarding Federal matching for social services. A new title VI of the Social Security Act covered services for beneficiaries of SSI.

The new title authorized the provision of rehabilitation and other services to help aged, blind, and disabled individuals to obtain or retain capability for self-care. Federal matching was subject to the limitation which had not then been acted upon by Congress but which was contained in the conference committee substitute for the Senate amendment to the State and Local Fiscal Assistance Act of 1972.

Under the substitute, Federal matching for social services under programs of aid to the aged, blind, and disabled and AFDC were subject to a State-by-State dollar limitation effective beginning fiscal year 1973. Each State was limited to its share of $2.5 billion based on the proportion of population in the United States. Child care services, services provided to a mentally retarded individual, services related to the treatment of drug addicts and alcoholics, and services provided a child in foster care could be provided to persons formerly on welfare or likely to become welfare recipients as well as current welfare recipients. At least 90 percent of expenditures for all other social services had to be provided to individuals receiving aid to the aged, blind, and disabled of AFDC. Until a State reached the limitation on Federal matching, 75 percent Federal matching would continue to be applicable for social services as in existing law.

Medicaid

Under existing law, the States were required to cover all cash assistance recipients under the medicaid program. The committee bill, like the House-passed bill, exempted from this requirement persons who were eligible for SSI but who would not have been eligible for assistance under the State welfare programs for the aged, blind, and disabled as they were in effect prior to the initiation of the new program. The Secretary of HEW was authorized to enter into contracts with the States for Federal determinations of eligibility for medicaid. The States were required to pay 50 percent of the administrative costs incurred by the Federal Government in making the medicaid determinations which are in addition to the costs of making the determinations for cash payment eligibility.

Vocational rehabilitation

Under H.R. 1, as reported by the Committee on Finance, all individuals under the age of 65 who received SSI benefits based on disability or blindness were to be referred to the State vocational rehabilitation agencies for rehabilitation services. The Secretary was authorized to pay the full costs of the vocational rehabilitation

services provided to qualified individuals. The primary objective was to restore as many as possible to productive activity.

Every disabled or blind person who was offered rehabilitation services was required to accept such services. No individual was to be eligible for benefits if he refused without good cause to accept rehabilitation services.

Special Provisions

Institutions

People who were residents of certain public institutions, or hospitals or nursing homes which were getting medicaid funds, were to get benefits of up to $25 per month (reduced by nonexcluded income). No SSI benefits were to be payable to an individual in a penal institution.

Couples

A husband and wife were to be treated as two individuals if they had been living apart more than 6 months. No such provision was included in the House bill.

Puerto Rico, Guam and the Virgin Islands

Benefits under the committee bill were to be paid only to people who were residents of the 50 States and the District of Columbia and who were either United States citizens or aliens lawfully admitted for permanent residence. The existing provisions of titles I, X, XIV, of the Social Security Act were to continue in effect in Puerto Rico, Guam, and the Virgin Islands. The House bill had extended the new program to these jurisdictions, but with reduced benefit rates.

Accounting

Under the committee bill, the Secretary of HEW was required to determine an individual's eligibility for benefits for each quarter of the year. However, the committee repeated the House report's language that that did not mean that quarterly investigations of all aspects of eligibility were necessary in every case. However, recipients were required to report changes in income as they occurred.

Costs

The new Federal program for the aged, blind, and disabled would have resulted in increased Federal expenditures as shown below.

TABLE 16.—*Federal costs for the aged, blind, and disabled, 1974*

[In millions of dollars]

Present law:	
Welfare payments	$2.1
Administration	.2
Food stamps	.3
Total	2.6
Committee bill increase:	
Supplemental security income payments (including cashing out of food stamps)	3.1
Administration	.3

Food stamps	−.3
Total increase	3.1

Source: Committee on Finance report on H.R. 1, p. 403.

SENATE FLOOR ACTION

On September 27, 1972, the Senate opened debate on H.R. 1. On September 29, the Senate by a unanimous vote of 75 yeas passed the Long amendment to provide a Federal supplemental security income program for the aged, blind, and disabled to replace the existing State programs effective January 1, 1974. The adopted amendment was, essentially, the version of the supplemental security income program which had been reported by the Senate Finance Committee. It guaranteed the aged, blind, and disabled an income of $130 per month ($195 for couples) and included a disregard of the first $50 of income. The program was to be administered and fully financed by the Federal Government.

Amendments Adopted

(1) Provided that an individual would not suffer a reduction in assistance payments if he shared rent or room and board with another individual. Senator Long indicated that this amendment was in keeping with the intent of the committee.[20]

(2) Made individuals eligible for assistance if their resources were within allowable limits in their respective States but over the maximum limits of the committee version of H.R. 1.

(3) Retained food stamp program eligibility for recipients of assistance to the aged, blind, and disabled. Senator Case of New Jersey, who introduced this amendment, pointed out that "While H.R. 1 establishes a benefit floor for these categories where previously the States set their own levels, the welfare bill in section 508 also deletes food stamps for all aged, blind, and disabled welfare recipients. Moreover, while section 509 establishes a mechanism for the States to pay out the difference to current food stamp recipients in cash, it does not guarantee that the States will maintain their current benefit levels, or that the amount of cash in addition to the minimum floor will be equal to the loss in dollars accrued through the food stamp coupons."[21] Senator Long argued against this provision, explaining that the benefit levels set in the bill already included a cash-out.

(4) Persons living in the household of another were not to be subject to the one-third reduction if they made reasonable payment for such support and maintenance.

(5) Expanded the citizenship requirement to include an alien permanently residing in the United States under color of law. This was defined so as to include Cuban refugees lawfully present in the United States.

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[20] Long, Russell, Social Security Amendment of 1972. Remarks in the Senate. Congressional Record, v. 118, October 5, 1972: 33868.

[21] Case, Clifford. Ibid., p. 33986.

Amendments Rejected

(1) Provided that in cases where one or both members of a couple are blind or disabled, their benefits would be computed as if both individuals were single.

(2) Required the States to supplement the new Federal minimum assistance levels in States where benefits were higher than those proposed by the committee. Senator Long stated that "We assume that States are not going to cut back on their benefit levels, and we do not know of any reason to anticipate that they would." [22]

Final Senate Passage

On October 6, the Senate passed H.R. 1 after rejecting all proposals to reform the family welfare programs. Provisions for the supplemental security income (SSI) program were contained in the bill.

CONFERENCE REPORT

On October 14, 1972 the House and Senate conferees filed a conference report (H. Rept. 92-1605). One major change in the adult assistance program which resulted from the conference related to aid to disabled drug and alcohol addicts. The Senate amendments had added a new section to the House bill which (a) precluded eligibility of medically determined alcoholcs and addicts for welfare under SSI, and (b) established a program under the new title XV of the Social Security Act designed to require appropriate professional care and treatment of alcoholics and addicts utilizing existing agencies and mechanisms. Maintenance payments would have been made only as a part of the treatment and rehabilitation process. The Senate receded from this amendment.

Other agreements made:

(1) The conference committee reduced the $50 per month disregard of unearned income which had been included in the Finance bill to $20 per month (the House bill had no disregard of unearned income).

(2) The Senate bill, unlike the House bill, proposed to allow SSI recipients to retain food stamp eligibility. The conference committee opted to eliminate food stamp eligibility for SSI recipients.

(3) The Senate bill had not provided coverage for children under age 18. The conference committee agreed with the House bill and covered disabled and blind children.

(4) The conference committee agreed to an earned income disregard of $65 per month plus one-half of the remainder.

FINAL PASSAGE

On October 17 Congress cleared for the President H.R. 1. It passed the Senate by a vote of 61 to 0 and the House by a vote of 305 to 1. Provisions aimed at reforming the basic family welfare

[22] Op. cit.

programs were deleted from the bill by the House and Senate conferees.

The bill as it finally went to the President federalized the existing Federal-State programs of assistance to the aged, blind, and disabled effective January 1, 1974. Individuals with no outside income were to receive a minimum monthly Federal payment of $130 ($195 for a couple). Up to $20 per month in unearned income and $65 plus one-half of the remainder in earned income were to be disregarded in determining eligiblity for assistance.

The bill was signed into law on October 30, 1972.

Congressional Intent in Establishing the SSI Program

Under the Social Security Amendments of 1972, the program of supplemental security income (SSI) for the aged, blind, and disabled began on January 1, 1974. This new program replaced the former programs of aid to the aged, aid to the blind, and aid to the permanently and totally disabled, which had been operated by the States with Federal financial assistance for close to 40 years.

The Congress intended the new SSI program to be more than just a Federal version of the former State adult assistance programs that it replaced. The report of the House Committee on Ways and Means said that although social security payments and other sources of income were sufficient to keep the total income of the majority of the aged, blind, and disabled from falling below the poverty line, some such people received relatively small social security benefits because they had not been able to support themselves through work. The social security program, therefore, had to be complemented by a new assistance program, stated the committee report.[23]

The House report said that "under the new Federal program, uniform eligibility requirements and uniform benefit payments would replace the multiplicity of requirements and benefit payments under the existing State-operated programs." [24] The new program was designed with a view toward providing:

> (1) An income source for the aged, blind, and disabled whose income and resources were below a specified level.
>
> (2) Incentives and opportunities for those able to work or to be rehabilitated that will enable them to escape from their dependent situations; and
>
> (3) An efficient and economical method of providing this assistance.[25]

The report of the Senate Committee on Finance stated:

> The committee bill would make a major departure from the traditional concept of public assistance as it now applies to the aged, the blind, and the disabled. Building on the present social security program, it would create a new Federal program administered by the Social Security Administration, designed to provide a positive assurance that the Nation's aged,

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[23] U.S. Congress. House. Committee on Ways and Means. Social Security Amendments of 1971. Report to accompany H.R. 1. May 26, 1971, p. 146–147.
[24] Ibid., p. 147.
[25] Ibid., p. 147.

blind, and disabled people would no longer have to subsist on below poverty-level incomes.[26]

The SSI program was envisioned as a basic national income maintenance system for the aged, blind, and disabled that would differ from the state programs it replaced in a number of ways. (1) The SSI program was to provide a basic floor of income support for eligible individuals throughout the Nation, which would mean a substantial increase in income for persons in many States. Under the former adult assistance programs the amount of assistance varied widely among States and even within States could vary from person to person according to an evaluation of the individual's needs. The SSI program, by contrast, represented a "flat grant" approach in which there would be a uniform basic Federal income support level. (2) The SSI program based eligibility primarily on an applicant's income. It prohibited two practices common in the predecessor State relief programs—an income test for relatives not legally obliged to support the potential recipient and the placement of a lien against the recipient's property. (3) The new program offered more generous provisions for disregarding earned income than the previous programs of old-age assistance and aid to the permanently and totally disabled. The report of the House Ways and Means Committee stated that the SSI Program was designed to provide incentives and opportunities for those able to work or to be rehabilitated that would enable them to escape from their dependent situations. The House bill provided that in deciding eligibility and computing benefits the first $85 of monthly earnings plus one-half of remaining earnings should be deducted from the income of blind and disabled persons (the formula already in law for the blind) and that the first $60 of monthly earnings plus one-third of the remainder should be excluded from the income of aged persons. Further, as in prior laws, the House bill allowed blind and disabled persons to deduct additional income needed for them to pursue a plan for achieving self-support. Federal law governing the previous programs permitted but did not require States to give a financial incentive for work to aged or disabled recipients; moreover, the old law imposed a dollar ceiling on the size of this incentive (a maximum of $60 in earnings could be disregarded monthly).

The Senate Finance Committee report said that, in recognition of the efforts working people make to provide for themselves in retirement, the Committee bill required the SSI program to disregard the first $50 of a recipient's monthly income from any source (other than need-related income). In addition, the Finance Committee's bill provided an earned income disregard of the first $85 of monthly earned income plus one-half of remaining earnings so that those who continued to work would receive a higher level of income than those who did not. (As noted before, this was the formula already in use for the blind.) The Senate bill also excluded income needed to pursue a plan for achieving self-support for blind and disabled persons. The conference report adopted disregards of

[26] U.S. Congress. Senate. Committee on Finance. Social Security Amendments of 1972. Report to accompany H.R. 1. September 26, 1972, p. 384.

the first $20 of monthly income from any source (other than need-related income) and the first $65 of monthly earned income plus one-half of remaining earnings. (The conference report does not explain why the specific dollar amounts of the disregards were chosen.)

(4) The Social Security Administration (SSA) was to administer SSI, and to do so in a manner as comparable as possible to that used for the social security program. While it was understood that modifications would be necessary to make the systems of the SSA work for the new SSI population, this was seen as an add-on rather than a new system. The SSA had a longstanding reputation for dealing with the public in a fair and considerate way, but with scrupulous regard for the requirements of law. Thus, it was expected that both recipients and taxpayers would be pleased with the new program.

For the most part, the nature of the SSI program is expressed by its title. It was conceived as a guaranteed minimum income for the aged, blind, and disabled that would supplement income received from the social security program and as an income-related program to provide for those who were not covered under social security or who had earned only a minimal entitlement under the program. During the Senate debate on H.R. 1, Mr. Long said SSI was "one of the most ambitious things" recommended that year by the committee.[27] He said that the benefits of the new program would go so far beyond those offered under the State relief programs that "we think it should not be regarded as a welfare program." For that reason, he said, the committee referred to it as supplemental security income for the aged, blind, and disabled.

THE SUPPLEMENTAL SECURITY INCOME (SSI) PROGRAM: 1974–83

Overview

The supplemental security income (SSI) program provides a cash income floor for aged, blind, or disabled persons, in the 50 States, the District of Columbia, and the Northern Mariana Islands. It was enacted as title XVI of the Social Security Act by the Social Security Amendments of 1972 and became effective January 1, 1974. The program provides federally funded and administered monthly payments to aged, blind, or disabled persons who have little or no income and counted resources.

SSI replaced the Federal-State programs of old age assistance and aid to the blind established by the original Social Security Act of 1935 and the program of aid to the permanently and totally disabled established by the Social Security Amendments of 1950. Under the former programs, Federal matching funds were offered to the States to enable them to give cash relief, "as far as practicable" in each State, to persons in eligible categories whom the States deemed needy. The States set benefit levels and administered these programs.

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[27] Congressional Record. Sept. 29, 1972. Senate. p. 32898.

The Social Security Administration (SSA) administers the SSI program. Even though SSA runs the Federal program, SSI is not the same as social security. The SSI program is funded by general revenues of the U.S. Treasury—personal income taxes, corporation taxes, and other taxes. Social security benefits are funded primarily by the social security taxes paid by workers, employers, and self-employed persons. The programs also differ in other areas such as the conditions of eligibility and the method of figuring payments. In addition, States have the option of supplementing the basic Federal SSI payment. In some cases, State supplementary payments are administered by States instead of the Federal Government.

The maximum Federal SSI benefit is $314 monthly for an individual and $472 monthly for a couple (January 1984 through December 1984). Benefits are indexed to the Consumer Price Index (CPI) and adjusted annually.

In September 1983, there were nearly 3.9 million SSI recipients, of whom 39 percent were aged and 61 percent were blind or disabled [28] (see table 17).

Federal SSI payments are financed from general revenue funds of the Treasury. Federal benefit payments plus hold harmless payments for 1982 (12 monthly payments) were $6.805 billion; estimated payments for 1983 (13 monthly payments) are $7.893 billion. Federal benefits averaged $565 million per pay period in 1982, $605 million in 1983. Table 18 describes direct program cost by activities for 1982.

TABLE 17.—NUMBER OF SSI RECIPIENTS

[In thousands]

	Fiscal year—	
	1982	1983
Aged	1,405	1,295
Blind and disabled	2,157	2,155
Total, Federal	3,562	3,450
State supplementary payments only	416	420
Total, SSI	3,978	3,870

Source: Social Security Administration.

TABLE 18.—SSI FEDERAL PROGRAM COST BY ACTIVITIES

[In million of dollars]

	Fiscal year—	
	1982 (12 payments)	1983 [1] (13 payments)
Direct program:		
1. Federal benefit payments	6,785	7,878
2. Federal hold harmless payments	20	15
3. Beneficiary services	3	15
4. Payments to the trust fund for administrative costs	780	864

[28] It should be noted that the SSI program does not reclassify "blind" and "disabled" recipients as "aged" at age 65. The SSI classifications "aged," "blind," and "disabled" are based on the reason for the individual's initial eligibility.

TABLE 18.—SSI FEDERAL PROGRAM COST BY ACTIVITIES—Continued

[In million of dollars]

	Fiscal year—	
	1982 (12 payments)	1983 [1] (13 payments)
5. Federal fiscal liability	16	27
Total Federal direct program	7,604	8,799
6. State-financed State supplements	1,812	2,010

[1] Estimated.

Source: Office of Research and Statistics, Social Security Administration.

ELIGIBILITY

The basic eligibility requirements of age, blindness or disability have not changed since the program began in January 1974. The aged are defined as persons 65 years and older. The blind are individuals with 20/200 vision or less with the use of a corrective lens in the person's better eye or those with tunnel vision of 20 degrees or less. If a person's visual impairment is not severe enough to meet the definition of blindness, he or she still might qualify as a disabled person. Disabled individuals are defined as those unable to engage in any substantial gainful activity by reason of a medically determined physical or mental impairment expected to result in death or that has lasted, or can be expected to last, for a continuous period of at least 12 months. The test of "substantial gainful activity" (SGA) has increased over the years. In calendar years before 1976, if a recipient had counted earnings averaging more than $200 a month he was considered to be engaging in SGA. Beginning with calendar year 1980 the SGA level had remained constant at $300 monthly in counted income, which is smaller than gross income. Impairment-related expenses are subtracted from earnings. The eligible individual or couple also must reside in the United States or the Northern Mariana Islands and be a U.S. citizen, an alien lawfully admitted for permanent residence, or an alien residing in the United States under color of law.

Disabled or blind children, as well as adults may be eligible for SSI, in contrast to the former programs, which gave such aid only to adults. It makes no difference how young a person is. A child under 18 may be found disabled if he or she has a physical or mental impairment that is comparable in severity to one that would prevent an adult from working and that is expected to last at least 12 months or result in death. Persons who are retarded may be considered disabled, depending on their IQ and other factors.

Since SSI payments are reduced by other income, applicants and recipients must apply for any other money benefits due them. The Ways and Means Committee report on H.R. 1 said that the SSI program, financed from general revenues and with the benefits based on need, should pay people only to the extent that their needs were not met from other sources. The SSA works with recipients and helps them get any other benefits for which they are eligible, such as social security. However, a person who participates in the aid to families with dependent children (AFDC) program cannot also re-

ceive SSI. If a parent or child is eligible under both programs, the parent can choose whichever one best suits the family.

Persons who live in public institutions generally are not eligible for SSI payments. However, there are three exceptions to this rule. A person who lives in a publicly operated community residence which serves no more than 16 persons may be eligible for SSI payments. A person who is in a public institution primarily to attend approved educational or vocational training provided in the institution may be eligible. And if a person is in a public or private health care facility and medicaid is paying more than half the cost of the person's care, the person may be eligible, but the Federal SSI payment is limited to $25 a month.

Disabled and blind SSI recipients are referred to appropriate agencies for rehabilitative services and persons under age 65 must accept the vocational rehabilitative services made available to them. Disabled drug addicts or alcoholics are referred for appropriate treatment if it is available at an approved facility or institution. A drug addict or alcoholic is not eligible for payments if he or she fails to undergo treatment or to comply with the terms and requirements of available treatment.

The law allows disabled recipients to test their ability to work for 24 months [29] while continuing to receive payments, provided their countable income does not exceed the maximum Federal SSI benefit level. In the last 12 months (9-month trial work period plus 3-month grace period) of the 24-month period, an individual who is performing SGA immediately following the 9-month trial work period would not receive SSI benefits while engaging in SGA, but would automatically be reinstated to regular SSI status if earnings fell below the SGA level and the recipient were otherwise eligible for benefits.

Under a 3-year experimental program that operated from January 1, 1981 through December 31, 1983, special SSI payments and eligibility for medicaid were allowed to continue even though a disabled or blind recipient's earnings exceeded the SGA level. As the person's earnings increased, the amount of the cash payments decreased until they were gradually phased out. But eligibility for medicaid was allowed to continue if the disabled or blind person could not work without the assistance and did not earn enough to pay for similar help. The initial information from the SSA shows that in May 1982, 238 SSI recipients were receiving special SSI benefits. Data obtained in both May and August 1982 indicate that approximately 5,200 former SSI recipients retained their medicaid eligibility. At the close of the first session of the 98th Congress, Congress had failed to extend this program, which, thus, expired on January 1, 1984.

Additionally, under section 504 of Public Law 96-265, the Social Security Disability Amendments of 1980 (effective October 1, 1980), part of the income and resources of sponsors of aliens are considered to be those of the aliens they sponsor. A sponsor is an individual who has signed an affidavit agreeing to support an alien as a

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[29] Public Law 96-265, the Social Security Disability Amendments of 1980, extended the trial work period from the previous 9 months—plus 3 months of continued benefits—to 24 months, 9 months plus a 15-month reentitlement period.

condition of the alien's admission for permanent residence in the United States. Thus, in determining the eligibility of aliens applying for SSI, the income and resources of their sponsors are considered. After allowances for the needs of the sponsors and their families, the remainder is deemed available for the support of the alien applicant for a 3-year period after entry into the United States. This provision does not apply to those who become blind or disabled after entry into the United States, to refugees, or to persons granted political asylum.

TABLE 19.—*Basic Eligibility Conditions*

Aged	65 or older.
Blind	Vision no better than 20/200 or limited visual field of 20° or less with the best corrective eyeglasses.
Disabled	A physical or mental impairment which prevents a person from doing any substantial work and is expected to last at least 12 months or result in death.
Resource [1]	$1,500 for an individual.
Limits	$2,250 for a couple.
Income [2]	Below $314 a month for an individual.
Limits	Below $472 a month for a couple.
U.S. citizen or immigrant lawfully admitted for permanent residence.	
Resident of the United States or the Northern Mariana Islands.	
Disabled must accept vocational rehabilitation if available.	
Disabled addicts and alcoholics must accept appropriate treatment if available.	

[1] Not all resources are counted in determining eligibility.
[2] Not all income is counted in determining eligibility. Also, a person may have income above the limit and be eligible for a State supplement only, but the income levels vary with each State.

INCOME AND RESOURCE LIMITATIONS

Individuals and couples are eligible for SSI if their counted incomes fall below the Federal maximum monthly SSI benefit, currently $314 per individual and $427 per couple. If only one member of a couple qualifies for SSI, part of the ineligible member's income is considered to be that of the eligible spouse. If a couple has been separated or living apart for more than 6 months, each person treated as an individual. If an unmarried child living at home is under 18, some of the parent's income is considered to be that of the child.

The term "income" includes cash, checks, items received "in kind" such as food and shelter, and many items that are not considered income for Federal or other tax purposes. Wages, net earnings from self-employment, earned income tax credits, and/or income from sheltered workshops are considered earned income. Social security benefits, workers' or veterans' compensation, annuities, rent, and interest are examples of unearned income.

An individual does not have to be totally without income to be eligible for SSI payments. Maximum SSI payments are made (assuming the other conditions of eligibility are met) if the individual or couple has no "countable" income in that particular month. If the individual or couple has "countable" income, a dollar-for-dollar reduction is made against the maximum payment.

Not all income is counted for SSI purposes. Major exclusions include the first $20 of monthly income from virtually any source

(such as social security benefits, but not needs-tested income such as veterans' pensions) and the first $65 of monthly earned income plus one-half of remaining earnings.

The value of in-kind assistance is counted as income unless such in-kind assistance is specifically disregarded by statute.

SSI eligibility is restricted to qualified persons who have resources (assets) of less than $1,500; a married couple may have resources of up to $2,250. The resource limit for a couple applies even if only one member of a couple is eligible. The couple's resources are determined as if both members were eligible. If a couple has been separated or living independently for over 6 months, each person is treated as an individual. If an unmarried child living at home is under 18, the parent's assets are considered to be the child's.

The term "resources" includes real estate, personal property, household goods, savings and checking accounts, and stocks and bonds. In determining assets a number of items are not included, such as the individual's home;[30] life insurance policies with a total face value of $1,500 or less; and, within reasonable limits set by the Secretary of Health and Human Services (HHS), household goods, personal effects and an automobile. Regulations place a limit of $2,000 in equity on excluded household goods and personal effects and exclude the first $4,500 in current market value of an automobile (100 percent of the automobile's value if it is used for medical treatment or employment or has been modified for use by a handicapped person). Assets, tools, and other property essential to the self-support of blind or disabled persons are also excluded.

In 1982, a provision was added to also exclude from being counted as a resource the value of burial plots. In addition, to provide SSI recipients and applicants and alternative to the life insurance exclusion previously described, the 1982 amendment (Public Law 97-248, the Tax Equity and Fiscal Responsibility Act of 1982) allows for the exclusion of up to $1,500 of separately identifiable funds set aside for burial expenses.

A person whose countable resources exceed the limit by a small amount may still qualify for SSI payments if he or she agrees to sell the excess assets within a specified time. This helps the person who owns property that is providing little or no income but cannot be sold quickly at a fair price. Time limits for disposal are 6 months for real estate and 3 months for personal property. SSI payments received pending the sale of the assets may have to be repaid out of proceeds of the sale. If a person fails to dispose of excess assets after payments have started, he will be required to return the payments. Further, Public Law 96-611 provides that an individual (or eligible spouse) who gives away or sells any nonexcludable resource for less than fair market value for the purpose of establishing SSI or medicaid eligibility will have any uncompensated value of those resources counted toward the SSI resource limits

[30] Public Law 94-569, enacted on October 20, 1976, eliminated the Secretary's obligation to set a limit on the value of a home which SSI recipients might own. Before this law, a home was excluded from resources to the extent that its value did not exceed an amount determined to be reasonable by the Secretary.

($1,500 for an eligible individual and $2,250 for a couple) for a period of 24 months from the date of transfer.

Benefits

The amount of monthly Federal SSI benefits is determined by the recipient's countable income, living arrangement and marital status.[31] The original maximum monthly SSI benefit was $130 for a single person and $195 for a couple. But before the program started legislation was enacted that raised the maximum benefits to $140 for an individual and $210 for a couple (see table 20). Effective July 1, 1974, these amounts were raised to $146 for an individual and to $219 for a couple. Benefits are indexed to the Consumer Price Index. (CPI) and are increased by the same percentage as social security benefits. Until 1983, cost-of-living increases were provided annually in July if the CPI for the first quarter of the calendar year increased by at least 3 percent over the first quarter of the previous year. Public Law 98–21, the Social Security Amendments of 1983, provided for a benefit increase of $20 for an individual and $30 for a couple on July 1, 1983, increases of 7 percent, and postponed the cost-of-living adjustment until January 1, 1984. The January 1984 cost-of-living increase equalled 3.5 percent and was based on the CPI for the first quarter of 1983, over that for the first quarter of 1982. All future adjustments are to be provided annually in January if the CPI for the third quarter of the current year increased by at least 3 percent over the third quarter of the last year in which a cost-of-living increase was provided. The maximum monthly SSI benefits are currently (January–December 1984) $314 for an individual and $472 for a couple. Public Law 98–21 also required that SSI eligibility amounts and monthly payments be rounded down to the next lower dollar instead of rounded up to the next higher 10 cents. Rounding down was to begin after the next cost-of-living adjustment had been made.

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[31] A couple need not be ceremonially married. Section 1614(d) of the Social Security Act says that if a man and woman are found to be holding themselves out to the community in which they reside as husband and wife, they shall be so considered for SSI purposes

TABLE 20.—FEDERAL SSI MONTHLY BENEFIT LEVELS

	January 1974–June 1974	July 1974–June 1975	July 1975–June 1976	July 1976–June 1977	July 1977–June 1978	July 1978–June 1979	July 1979–June 1980	July 1980–June 1981	July 1981–June 1982	July 1982–June 1983	July 1983–December 1983	January 1984–December 1984
Individual:												
Living in own household	$140.00	$146.00	$157.70	$167.80	$177.80	$189.40	$208.20	$238.00	$264.70	$284.30	$304.30	$314.00
Living in another's household	93.34	97.34	105.14	111.87	118.54	126.27	138.80	158.67	176.47	189.54	202.86	209.33
Couple:												
Living in own household	210.00	219.00	236.60	251.80	266.70	284.10	312.30	357.00	397.00	426.40	456.40	472.00
Living in another's household	140.00	146.00	157.74	167.87	177.80	189.40	208.20	238.00	264.67	284.30	304.26	314.66
Individual receiving institutional care in medicaid facility	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Essential person	70.00	73.00	78.90	84.00	89.00	94.80	104.20	119.20	132.60	142.50	152.04	157.00

If the individual or couple has retirement or other unearned income—such as social security benefits, annuities, rents, interest—$20 a month is excluded from countable income, and the rest causes a reduction in the SSI payment, dollar-for-dollar.[32]

If the individual or couple has earnings from current work, $65 a month is excluded and 50 percent of remaining earnings are subtracted from the SSI payment, that is, the SSI benefit is cut $1 for each $2 of earnings above $65 a month.[33]

If earnings are the only type of income the individual or couple has, then $85 a month is exempted and 50 percent of remaining earnings are subtracted from the SSI payment [34] (see table 21). For the blind and disabled only, the cost of an approved plan to achieve self-support is also disregarded and reasonable work expenses associated with the disability are disregarded, too. The Social Security Disability Amendments of 1980, Public Law 96-265, defined income received in sheltered workshop and work activity centers as earnings and thus qualified it for the earned income disregards.

TABLE 21.—FEDERAL INCOME ELIGIBILITY CEILINGS UNDER SSI, JANUARY–DECEMBER 1984

	Receiving only social security or other income other than wages		Receiving only wage income	
	Monthly	Annually	Monthly	Annually
Individual	$334	$4,008	$713	$8,556
Couple	492	5,904	1,029	12,348

As countable income (total income minus disregarded income) increases, a recipient's SSI payment level decreases dollar for dollar. Eligibility for SSI ends when countable income equals the Federal SSI benefit plus maximum State supplementary payment levels.

The value of in-kind assistance is counted as income unless such in-kind assistance is specifically disregarded by statute. Generally, in-kind assistance provided by or under the auspices of a federally assisted program, or by a State or local government (for example, nutrition services, food stamps, housing or social services), will not be counted as income. However, the SSI payment is reduced by one-third if an SSI recipient or couple is living in another person's household and receiving support and maintenance in kind from that person in the form of both food and shelter. Thus, instead of counting the value of the in-kind support and maintenance as

[32] The formulas for deriving the SSI payment for individuals or couples with only unearned income (U) in 1984, when the Federal guarantees are $314 per individual and a $472 per couple:
314−(U−20)=SSI payment,
334−U=SSI payment,
472−(U−20)=SSI payment,
492−U=SSI payment.

[33] The formulas for deriving the SSI payment for individuals or couples with both earned (E) and unearned income (U) in 1984 are:
314−[(E−65/2+U−20)]=SSI payment,
334−U−(E−65)/2=SSI payment,
472−[(E65/2+U−20=SSI payment.

[34] The formula for deriving the SSI payment for individuals or couples with only earned income (E) in 1984, when the Federal guarantees are $314 per individual and $472 per couple, are:
314−(E−85)/2=SSI payment,
472−(E−85)/2=SSI payment.

income, the basic SSI payment standard applicable to the individual or couple is reduced by one-third. The one-third reduction rule does not apply, however, if the SSI individual (or couple) pays his or her pro rata share toward monthly household operating expenses, which is the average monthly household operating expenses (food, rent, mortgage, property taxes, heating fuel, gas, electricity, water, etc.) divided by the number of people in the household, regardless of age. Thus, an SSI recipient, living in another person's household (along with the householder and 2 others) wherein the average monthly household expenses amounted to $400, would have to contribute at least $100 a month toward household expenses in order for the one-third reduction rule not to apply (i.e., such an SSI recipient would not be regarded as receiving support and maintenance). In March 1983, 5.4 percent of SSI recipients were classified as living in another person's household.

For institutionalized persons, the eligibility requirement and payment level depend on the type of institution. When an individual enters a hospital or other medicaid institution in which at least half of the bill is paid by the medicaid program, his or her monthly SSI payment is reduced to $25, beginning with the first full calen dar month the person is in such institution. The $25 Federal SSI payment is intended to cover personal needs such as clothing, upkeep, personal care, and various items not ordinarily provided through the payment for basic institutional care. This standard has not been increased since the SSI program began. In March 1983, 5.5 percent of SSI recipients were in medicaid facilities. In the month before an inmate leaves the institution, the Secretary of HHS can waive the requirement that his SSI benefit be limited to $25 so as to promote his transfer to a less restrictive living arrangement. If only one member of an eligible couple is in a health facility, the income of each member is considered separately in determining the amount of the SSI payment. Eligible persons in private institutions whose care is not met from medicaid funds may receive the payments applicable to individuals living in their own households (see table 20 for maximum Federal SSI benefit levels).

An individual who is a resident or an inmate of a public institution is ineligible for SSI unless the institution is a facility approved for medicaid payments, is receiving such payments on behalf of the person, and these payments represent more than 50 percent of the cost of services provided by the facility to the person. SSI payments may be made to persons in publicly operated community residences serving no more than 16 persons. Payments to an individual transferred from a former State program may be increased by $157 monthly to take into account an "essential person" living in the household. An essential person is generally an ineligible spouse or relative whose needs were considered in determining the requirements of an eligible individual under the former State program but who is not eligible for SSI (see table 20).

If a person is outside the area of the United States and the Northern Mariana Islands for a whole month, no SSI payment can be made for that month.

DEEMING OF INCOME AND RESOURCES

The income of an ineligible spouse who lives with an adult SSI applicant or recipient is considered in determining the eligibility and amount of payment to the individual. The income of the parents of a disabled child under the age of 18 is also considered in determining the eligibility and payment for the child. In determining the amount of the income of the ineligible spouse or parent to be deemed to the SSI applicant or recipient the needs of the spouse or parent and other children in the household are taken into account. In addition, the SSI earned income disregards are applied in determining the amount of income to be deemed to the SSI applicant or recipient. For example, if the countable income of an ineligible spouse exceeds the difference between the SSI benefit standard for an individual and a couple in that State (including State supplementation) the excess is deemed available to the SSI applicant or recipient.

For example, in a State with no State supplementation the deeming procedure would work as follows for an ineligible spouse earning $400 per month living with an eligible individual with $180 of social security benefits:

Earned income of ineligible individual	$400.00
Less $65	−65.00
Less one-half of remaining earnings ($335)	−167.50
Countable income	167.50
Less difference between SSI payment standard for an individual and couple	158.00
Amount deemed to eligible individual	9.50

Thus, the benefit for the eligible individual will be $144.50 [$314−($180 less $20 exclusion)−$9.50]. Without deeming, the individual would have received $154 [$314−($180 less $20 exclusion)]. The $20 exclusion can only be used once and is first applied to unearned income.

Resources of the spouse or parent may also be deemed to a recipient when they are in excess of the amount that would be excluded if the spouse or parent were applying for SSI payments. Parental resources are not deemed to a child who is 18 years or older.

This process of deeming involved 60,000 recipients in December 1980. Two-thirds of those with deemed income were adults, the majority of whom were disabled. The average monthly amount of deemed income was $125.73, $125.29 for adults and $126.66 for children.

STATE PAYMENTS

The SSI program establishes a basic Federal floor of income for the aged, the blind, and the disabled regardless of where they live in the country. However, under the former adult assistance programs, some States, because of their greater resources or the higher cost of living, were making larger payments to recipients than were provided by the new Federal SSI program. To deal with this situation, the SSI law encouraged States to supplement the basic Federal payment by offering Federal administration of the supplementation at Federal expense and "hold harmless" protec-

tion (explained below) to those States that chose Federal administration. The law was changed in July 1973 to protect recipients on the State rolls as of December 31, 1973, against reduction in their income. To be eligible for Federal matching funds for medicaid, States had to agree to maintain the December 1973 income of each aged, blind or disabled recipient who was converted to the Federal program and received an assistance payment for December 1973. Since States unwilling to meet this condition would lose Federal matching funds for their medicaid program, the supplementation was called mandatory supplementation.

Although States were required to supplement the Federal SSI payments for any persons whose previous benefits from the State adult relief programs had been higher, in fiscal year 1975 two States, Arizona and Texas, did not do so. In that year Arizona, which did not have a medicaid program, did not provide a supplement. But the next year Arizona began making payments to recipients whose SSI basic payments fell short of what they had received from the State. From the start, Congress exempted Texas from making mandatory payments, since its State constitution forbade it from entering into the kind of agreement with the Federal Government required by the SSI law.

States may add to the Federal SSI payment if they wish (optional supplementation). If the State's optional payment is made regularly and is based on need, it is not considered income in figuring the Federal SSI payment. In January 1984, 25 States plus the District of Columbia paid optional State supplementary payments to aged individuals living alone; the payments ranged from $1.70 to $252 a month (see table 17, part C).

A State may elect to administer the payment[35] itself (State-administered supplementation), or it may enter into an agreement to have the SSA make both the Federal SSI payment and the State supplementary payment (federally-administered supplementation). If the State elects Federal administration of its mandatory supplement, the Federal Government assumes all administrative costs. If a State elects Federal administration of its optional supplement, it is required to accept Federal administration of the mandatory supplement also unless the State provides very strong justification for deciding otherwise. In this case, too, the Federal Government assumes full responsibility for the supplementation program's administrative costs. Under Federal administration of the optional supplement, the State enters into an agreement with the SSA to have its benefits administered according to rules that the Secretary of HHS finds necessary for efficient and effective administration of both the SSI payment and the State supplementary payment. In voluntary supplementation, States must use the eligibility criteria (except that of income) that the Federal Government imposes for the basic Federal SSI payment. States have the option of setting up a residency requirement and additional (more liberal) income disregards. A State may also vary its payments in recognition of differences in cost of living resulting from location in a particular geographic area within a State and differences in living arrangements. For example, a State may desire to give varying payments to those

[35] Mandatory, optional, or both.

who live alone, and those in an old-age home, or those who live in an urban area where the cost of living is high and to those who live on farm. The States are limited to a total of eight variations per aged, blind, and disabled category. Under Federal administration, the Federal Government issues one check combining the Federal and State payments, and the State government later reimburses the Federal Government for its share of the combined check.

Under State administration, the State retains system flexibility and control, issues its own checks, and assumes full responsibility for program and administrative costs. While State administration enables a State to retain control of the supplementary program, the SSA is required to monitor the mandatory supplementation payments. Therefore, the States must agree to provide pertinent records and additional data as needed to enable the Secretary and the Comptroller General to review compliance with the mandatory minimum income level provisions.

HOLD HARMLESS PROTECTION

Hold harmless payments, now being phased out, were established to protect States that chose Federal administration of State SSI supplementation from having to pay out of State funds any more than their calendar year 1972 assistance expenditures for the aged, blind, and disabled to maintain pre-SSI benefit levels.[36] This hold harmless protection compensated States for the increased costs caused by the growth in the recipient population, but did not cover increases made in supplementation levels. Hence, when the Federal SSI benefits were increased, the amount of the State's mandatory supplement was decreased by an equal amount, since the State was required to make supplementary payments only up to the December 1972 level. The result was that increases in Federal SSI payments reduced the protected portion of a State's supplementary payments, thereby reducing hold harmless payments.

By fiscal year 1977, only Hawaii, Massachusetts, and Wisconsin were entitled to hold harmless protection.

Public Law 94-585, enacted in 1976, provided that cost-of-living increases or any general increase effective after June 30, 1977, would be disregarded in computing the amount of protected payments to be credited toward reaching hold harmless. This change in law helped perpetuate hold harmless protection for the States of Hawaii, Massachusetts, and Wisconsin through fiscal year 1982. In fiscal year 1982, only Hawaii and Wisconsin remained eligible for hold harmless protection. The 1982 continuing resolution provided for a reduction in hold harmless payments for Hawaii and Wisconsin. Public Law 97-248 continued the phase out of hold harmless payments as follows: hold harmless payments were reduced to 40 percent of what they would otherwise have been in 1983, to 20 percent in 1984, and to zero in 1985.

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[36] In fiscal year 1975, California, Hawaii, Massachusetts, Nevada, New York, and Wisconsin benefited from hold harmless protection.

TRENDS IN THE SSI PROGRAM: 1974–83

Approximately 3.9 million persons received SSI payments in 1983. Only when the program started has the number of SSI recipients been lower. In January 1974, 3.2 million persons were enrolled in the program. The number of SSI recipients peaked in December 1975, with nearly 4.4 million persons enrolled. The number of SSI recipients has been falling since December 1977. As noted from the outset, the main purpose of SSI is to supplement social security income. Higher social security benefits (as well as income from other sources) reduce the number of persons eligible for SSI. The decline in the number of SSI recipients in part reflects the improved financial situation of former and potential recipients.

This section of the paper discusses the trends in SSI enrollment by eligibility, age groups, living arrangements, State and geographic distribution, sex, race, and receipt of social security benefits, and earnings. It also discusses trends in State supplementation.

AGED PERSONS

Before discussing changes in the recipient population 65 years of age and older, it should be noted that the classifications "aged," "blind," and "disabled" are based on the reason for the individual's initial eligibility. The SSI program does not reclassify blind and disabled recipients as aged when they reach age 65.

In January 1974, early 1.9 million persons received SSI who entered the program after their 65th birthday. The number of such recipients peaked in December 1975 with 2.3 million recipients, an increase of 21 percent, then declined steadily to 1.6 million in December 1982, a 30 percent reduction (see table 22). As of September 1983, 1.5 million SSI recipients were classified as aged.

TABLE 22.—NUMBER OF PERSONS RECEIVING PAYMENTS, BY TYPE OF PAYMENT AND REASON FOR ELIGIBILITY, JANUARY 1974 AND DECEMBER 1974–82

Month and year	Total	Federally administered [1]	Federal SSI [2]	State supplementation				
				Total	Federally administered		State administered	
					Total [3]	Only	Total [4]	Only
	ALL PERSONS							
January 1974	3,248,949	3,215,632	2,955,959	1,838,602	1,480,309	259,673	358,293	33,317
December 1974	4,027,572	3,996,064	(5)	(5)	(5)	(5)	300,724	31,508
December 1975	4,359,625	4,314,275	3,893,419	1,987,409	1,684,018	420,856	303,391	45,350
December 1976	4,285,340	4,235,939	3,799,069	1,912,550	1,638,173	436,870	274,377	49,401
December 1977	4,287,044	4,237,692	3,777,856	1,927,340	1,657,645	459,836	269,695	49,352
December 1978	4,265,483	4,216,925	3,754,663	1,946,781	1,681,403	462,262	265,378	48,558
December 1979	4,202,741	4,149,575	3,687,119	1,941,572	1,684,283	462,456	257,289	53,166
December 1980	4,194,254	4,142,017	3,682,411	1,934,279	1,684,765	459,606	249,514	52,237
December 1981	4,067,250	4,018,875	3,590,103	1,874,869	1,625,279	428,772	249,590	48,375
December 1982	3,908,524	3,857,590	3,473,301	1,798,376	1,550,405	384,289	247,971	50,934
	AGED							
January 1974	1,889,898	1,865,109	1,690,496	1,022,244	770,318	174,613	251,926	24,789
December 1974	2,307,722	2,285,969	(5)	(5)	(5)	(5)	193,057	21,813
December 1975	2,333,685	2,307,105	2,024,765	1,028,596	843,917	282,340	184,679	26,580
December 1976	2,175,442	2,147,697	1,867,318	934,586	774,226	280,379	160,360	27,745
December 1977	2,077,808	2,050,921	1,765,147	906,636	754,187	285,774	151,131	26,887
December 1978	1,995,976	1,967,900	1,685,651	885,827	739,028	282,249	146,799	28,076

TABLE 22.—NUMBER OF PERSONS RECEIVING PAYMENTS, BY TYPE OF PAYMENT AND REASON FOR ELIGIBILITY, JANUARY 1974 AND DECEMBER 1974–82—Continued

Month and year	Total	Federally administered [1]	Federal SSI [2]	State supplementation				
				Total	Federally administered		State administered	
					Total [3]	Only	Total [4]	Only
December 1979	1,903,384	1,871,716	1,593,486	859,101	718,207	278,230	140,894	31,668
December 1980	1,838,406	1,807,776	1,533,366	837,411	702,763	274,410	134,648	30,630
December 1981	1,707,125	1,678,090	1,429,871	783,599	649,758	248,219	133,841	29,035
December 1982	1,578,959	1,548,741	1,329,485	727,640	597,080	219,256	130,560	30,218
	BLIND							
January 1974	73,850	72,390	55,680	45,828	37,326	16,710	8,502	1,460
December 1974	75,528	74,616	(5)	(5)	(5)	(5)	5,898	912
December 1975	75,315	74,489	68,375	36,309	31,376	6,114	4,933	826
December 1976	77,223	76,366	69,083	38,215	33,484	7,283	4,731	857
December 1977	78,368	77,362	69,534	38,868	34,401	7,828	4,467	1,006
December 1978	78,027	77,135	68,192	39,214	35,022	8,943	4,192	892
December 1979	78,110	77,250	67,973	39,603	35,666	9,277	3,937	860
December 1980	79,139	78,401	68,945	39,847	36,214	9,456	3,633	738
December 1981	79,185	78,570	69,261	39,816	36,327	9,309	3,489	615
December 1982	77,929	77,356	68,584	39,006	35,584	8,772	3,422	573
	DISABLED							
January 1974	1,285,201	1,278,122	1,209,783	769,501	672,575	68,350	96,926	7,068
December 1974	1,644,322	1,635,539	(5)	(5)	(5)	(5)	101,769	8,783
December 1975	1,950,625	1,932,681	1,800,279	922,229	808,725	132,402	113,504	17,944
December 1976	2,032,675	2,011,876	1,862,668	939,711	830,463	149,208	109,248	20,799
December 1977	2,130,868	2,109,409	1,943,175	981,524	869,057	166,234	112,467	21,459
December 1978	2,191,162	2,171,890	2,000,820	1,014,467	907,037	171,070	107,430	19,272
December 1979	2,220,824	2,200,609	2,025,660	1,036,240	930,410	174,949	105,830	20,215
December 1980	2,276,258	2,255,840	2,080,100	1,050,118	945,788	175,740	104,330	20,418
December 1981	2,280,408	2,262,215	2,090,971	1,044,932	939,194	171,244	105,738	18,193
December 1982	2,251,080	2,231,493	2,075,232	1,024,934	917,741	156,261	107,193	19,587

[1] All persons with Federal SSI payments and/or federally administered State supplementation.
[2] All persons with Federal SSI payments whether receiving Federal payments only or both Federal SSI and federally administered State supplementation.
[3] All persons with federally administered State supplementation whether receiving State supplementary payments only or both Federal SSI and federally administered State supplementation.
[4] All persons with State administered State supplementation whether receiving State supplementary payments only or both Federal SSI and State administered State supplementation.
[5] Data not available.

Source: Social Security Bulletin, Annual Statistical Supplement, 1982.

BLIND PERSONS

The number of blind SSI recipients increased from almost 74,000 in January 1974 to more than 78,000 in December 1977, then dropped slightly in 1978 and began to rise again in 1979 reaching a peak of 79,000 in December 1981. The number of recipients dropped back to 78,000 in 1982 (see table 22). As of September 1983, there were approximately 79,000 SSI recipients who were blind. Of these, 23,000 were over 65 years old.

DISABLED PERSONS

The number of disabled SSI recipients has increased steadily from the 1.3 million in January 1974 to the nearly 2.3 million in December 1981, a 77-percent increase. In December 1982, the number of disabled SSI recipients declined slightly; however, ap-

proximately 2.3 million persons were still receiving benefits (see table 22).

In 1975, there were 100,000 blind and disabled children in the program. The number increased steadily to 249,000 in 1982.

As of September 1983, the number of disabled recipients remained at its December 1982 level of 2.3 million. Of these, 453,000 were over 65 years old. The number of blind and disabled children is currently estimated at 265,000.

Early projections indicating that the SSI program would entitle to benefits some 6.2 million persons, consisting primarily of aged recipients, have not been borne out. Since 1977, there have been more blind and disabled recipients than aged recipients. This composition of the program has resulted in higher SSI program costs because blind and disabled SSI recipients typically have less income from other sources and thus their SSI benefits are on average than that of aged recipients.

TRENDS AMONG AGE GROUPS

In December 1975, 60 percent of adult SSI recipients were age 65 or older; of these, almost half were 75 years of age or older. (Although these persons were 65 years of age or older, some were classified as disabled or blind, as explained before.) Here we are looking at changes in the actual age of the SSI population. Ninety percent of disabled recipients were under 65; almost half of the disabled were between the ages of 50 and 64 (see table 23).

TABLE 23.—SUPPLEMENTARY SECURITY INCOME: NUMBER AND PERCENTAGE DISTRIBUTION OF ALL ADULTS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND AGE

Age	Total	Aged	Blind	Disabled
December 1975:				
Total number	4,186,100	2,307,105	70,143	1,808,852
Total percent	100.0	100.0	100.0	100.0
18–21	1.7	.....	3.5	3.9
22–29	5.1	.....	12.4	11.3
30–39	4.8	.....	9.2	10.6
40–49	6.7	.....	12.1	15.1
50–59	12.6	.....	18.9	28.5
60–64	9.1	.....	13.0	20.6
65–69	15.6	20.9	10.2	9.1
70–74	15.2	27.0	6.3	.5
75–79	12.3	21.9	5.1	.2
80 and over	16.8	30.0	9.3	.1
December 1982:				
Total number	3,628,439	1,584,741	70,158	2,009,540
Total percent	100.0	100.0	100.0	100.0
18–21	2.3	.....	4.5	4.0
22–29	7.5	.....	13.9	13.0
30–39	7.2	.....	12.3	12.6
40–49	6.9	.....	10.1	12.0
50–59	12.2	.....	15.7	21.5
60–64	8.5	.....	10.2	14.9
65–69	12.8	12.5	9.6	13.1
70–74	14.2	22.4	8.4	8.1

TABLE 23.—SUPPLEMENTARY SECURITY INCOME: NUMBER AND PERCENTAGE DISTRIBUTION OF ALL ADULTS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND AGE—Continued

Age	Total	Aged	Blind	Disabled
75–79	12.1	27.6	5.1	.5
80 or older	16.3	37.5	10.2	.1

Source: Social Security Administration.

In December 1982, only 55 percent of the adult SSI population were age 65 or older; of these a little more than half were 75 years of age or older. More than three-fourths of disabled recipients were under 65; almost half of the disabled were between the ages of 40 and 64 (see table 23).

Due to the large numbers of nonaged disabled persons receiving SSI, the proportion of the SSI population aged 65 or older has declined from 60 percent in 1975 (61 percent in January 1974) to 55 percent in 1982. This change in the age distribution would have been greater had not the percentage of disabled persons aged 65 or older doubled.

LIVING ARRANGEMENT

In December 1974, 85.8 percent of SSI recipients lived in their own household, 9.8 percent lived in another person's household, and 4.4 percent were in a medicaid facility (see table 24). The comparable figures in December 1982 were 89.1 percent, 5.3 percent, and 5.5 percent, respectively (see table 24).

TABLE 24.—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED: NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY AND LIVING ARRANGEMENTS

Living Arrangements [1]	Total	Aged	Blind	Disabled
December 1974:				
Total number	3,996,064	2,285,909	74,616	1,635,539
Total percent	100.0	100.0	100.0	100.0
Own household	85.8	88.5	87.3	82.1
Another's household	9.8	8.0	9.3	12.2
Institutional care covered by medicaid	4.4	3.5	3.4	5.7
December 1982:				
Total number	3,857,590	1,548,741	77,356	2,231,493
Total percent	100.0	100.0	100.0	100.0
Own household	89.1	90.9	89.7	87.8
Another's household	5.3	4.2	6.1	6.1
Institutional care covered by medicaid	5.5	4.9	4.1	6.0

[1] As used for determination of Federal SSI payment standards.

Source: Social Security Administration.

In 1974, aged recipients were somewhat more likely to be living independently than blind or disabled recipients. Disabled recipients were more often living in another person's household or a medicaid facility than were aged or blind recipients. In 1982, a similar pattern existed.

INITIAL STATE DATA

The SSA study [37] on the first year impact of SSI on the economic status of persons transferred from the adult assistance programs found that most of the aged, blind, or disabled persons participating in the SSI program when it started in 1974 "achieved a significantly higher economic status because of increased welfare benefits."

Table 25 shows that in New York [38] the median welfare benefit for the year rose $412 for aged recipients, while median total income increased by $429. The increase in welfare benefits made up 96 percent of the increase in median total income. For the blind and the disabled, the median welfare benefit rose $481, but other income fell, with the result that median total income rose by $353.

TABLE 25.—CHANGE IN TOTAL INCOME AND WELFARE BENEFITS FROM 1973 TO 1974: PERCENTAGE DISTRIBUTION OF ADULT ASSISTANCE POPULATION, BY TYPE OF RECIPIENT AND TYPE OF CHANGE, 5 STATES

Amount of income and welfare benefit change	California, change in		Georgia, change in		Mississippi, change in		New York, change in		Texas, change in	
	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits
OAA recipients:										
Total number reporting (in thousands)	213.5	213.5	69.8	69.8	68.6	68.6	80.2	80.2	148.6	148.6
Total percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
$500 or more loss	8.8	5.8	3.6	1.1	7.1	4.1	6.7	5.3	4.5	2.8
$250–499 loss	1.9	1.9	3.0	1.9	4.0	6.6	3.2	4.8	2.9	2.0
$1–249 loss	5.5	9.5	5.9	11.4	9.7	18.1	9.8	14.5	3.9	4.3
$0–249 gain	16.7	30.8	15.2	13.6	19.0	17.5	19.5	21.1	19.4	25.0
$250–499 gain	28.9	24.4	27.9	36.6	16.8	15.7	22.4	21.2	27.5	32.4
$500 or more gain	38.2	27.6	44.5	35.4	43.5	37.9	38.4	33.0	41.8	33.4
Median income:										
1973	$2,767	$1,273	$1,477	$728	$1,651	$727	$2,164	1,119	$1,458	$644
1974	3,233	1,574	1,935	1,112	1,911	999	2,593	1,531	1,840	978
Increase	466	301	458	384	260	272	429	412	382	334
Increase in welfare benefits as a percentage of increase in total income		64.6		83.8		104.6		96.0		87.4
AB/APTD recipients:										
Total number reporting (in thousands)	181.5	181.5	36.1	36.1	26.4	26.4	130.7	130.7	27.8	27.8
Total percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
$500 or more loss	8.6	7.0	4.8	5.3	7.5	3.6	8.4	9.1	5.8	5.2
$250–499 loss	3.1	2.6	3.9	4.4	3.1	4.1	2.2	3.3	3.3	3.6
$1–249 loss	4.5	7.5	7.1	10.3	5.9	10.9	7.0	8.5	4.8	6.5
$0–249 gain	10.1	11.9	13.3	15.4	12.9	14.5	21.0	23.0	22.8	28.0
$250–499 gain	16.6	20.0	24.1	27.6	13.6	15.8	16.2	15.7	22.2	20.7
$500 or more gain	57.1	51.1	46.9	37.0	56.9	51.2	45.1	40.6	41.1	36.0
Median income:										
1973	$2,611	$1,924	$1,367	$966	$1,227	$787	$2,157	$1,643	$1,338	$1,023
1974	3,186	2,554	1,871	1,428	1,884	1,562	2,510	2,124	1,768	1,415
Increase	575	630	504	462	657	775	353	481	430	392

[37] Schieber, Sylvester J. First Year Impact of SSI on Economic Status of 1973 Adult Assistance Populations. Social Security Bulletin, v. 41, No. 2, February 1980. p. 18–46.

[38] The study examines data on California, Georgia, Mississippi, New York, and Texas.

TABLE 25.—CHANGE IN TOTAL INCOME AND WELFARE BENEFITS FROM 1973 TO 1974: PERCENTAGE DISTRIBUTION OF ADULT ASSISTANCE POPULATION, BY TYPE OF RECIPIENT AND TYPE OF CHANGE, 5 STATES—Continued

Amount of income and welfare benefit change	California, change in		Georgia, change in		Mississippi, change in		New York, change in		Texas, change in	
	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits	Total income	Welfare benefits
Increase in welfare benefits as a percentage of increase in total income	109.6		91.7		118.0		136.3		91.2	

Source: Social Security Bulletin. First Year impact of SSI on Economic Status of 1973 Adult Assistance Populations [by] Sylvester J. Schieber. Feb. 1978. p. 33.

New York showed the highest median welfare benefit increase for the aged, followed by Georgia, Texas, California, and Mississippi. Mississippi had the highest increase in median welfare benefit for the blind and disabled, followed by California, New York, Georgia, and Texas.

The report cautions the reader that "many things could have happened to the individuals between the time they were interviewed in 1973 and again in 1974 that could account for changes in their economic status—changes in marital status or other household composition, or changes in the amount of public assistance payments, as well as in income from non-assistance sources."[39]

In terms of the overall economic status of aged recipients measured by median income the ranking shows California with the highest median income followed by New York, Georgia, Mississippi, and Texas. The ranking also shows blind and disabled recipients in California having the highest median income, followed by New York, Mississippi, Georgia, and Texas.

The study concludes by stating that the poorest of those individuals who were transferred to SSI benefited most from the SSI program.

SEX

In June 1975, 34.2 percent of SSI recipients were men, 61.8 percent were women; the sex of the remaining 5 percent was not reported (see table 26). In March 1983, 34.4 percent of SSI recipients were men and 65.6 percent were women (see table 26).

TABLE 26.—SSI: NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY, SEX AND RACE

Sex and race	Total	Aged	Blind	Disabled
June 1975:				
Total number	4,188,500	2,326,300	73,800	1,788,300
Total percent	100.0	100.0	100.0	100.0
Sex:				
Men	34.2	28.6	44.3	41.1
Women	60.8	64.7	51.2	56.2
Not reported	5.0	6.7	4.5	2.7

See footnote 37, p. 40.

TABLE 26.—SSI: NUMBER AND PERCENTAGE DISTRIBUTION OF PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS, BY REASON FOR ELIGIBILITY, SEX AND RACE—Continued

Sex and race	Total	Aged	Blind	Disabled
Race:				
White	63.2	64.4	59.5	61.8
Black	25.9	24.0	28.8	28.2
Other				
Not reported	11.0	11.7	11.7	10.0
March 1983:				
Total number	3,867,445	1,539,549	77,950	2,249,946
Total percent	100.0	100.0	100.0	100.0
Sex:				
Men	39.4	26.3	42.5	39.6
Women	65.6	73.7	57.4	60.3
Not reported				
Race:				
White	60.0	58.0	60.3	61.4
Black	26.9	23.8	27.6	29.0
Other	3.9	4.6	4.1	3.3
Not reported	9.2	13.4	8.0	6.6

Source: Social Security Administration.

RACE

In 1973, 808,476 of the 2,823,100 adult assistance recipients were black. By 1983 there were 1,040,343 black SSI recipients, an increase of 28.7 percent. (Data giving a racial breakdown are not available for 1974.) The comparable figure for white recipients was 17.3

In 1973, 28.6 percent of the adult assistance caseload was black. In 1983, 26.9 percent of the SSI caseload was black.

In June 1975, 63.2 percent of SSI recipients were white, 25.9 percent were black, and the race was not reported for the remaining 11 percent (see table 26). In March 1983, 60 percent of SSI recipients were white, 26.9 percent were black, 3.9 percent were of another race, and the race was not reported for the remaining 9.2 percent (see table 26).

Based on the known data the percentage of white persons in the SSI program has declined. The percentage of black persons receiving SSI increased. The percentage of aged black recipients was the same in both 1975 and 1983; the percentage of blind recipients who were black dropped; and the percentage of disabled black recipients increased from 28.2 percent in 1975 to 29 percent in 1983.

SOCIAL SECURITY BENEFITS

In 1973, 63.9 percent of the persons receiving old age assistance also received social security benefits; 32 percent of recipients of aid to the blind or aid to the permanently and totally disabled also received social security benefits. (Data not available for 1974.)

In December 1975, 52.7 percent of the persons receiving SSI also received social security benefits. The rate of receipt of social security benefits varied from 69.5 percent for the aged, to 35.5 percent for the blind, and to 33.2 percent for the disabled. The aged received

social security benefits that averaged $128.55 just below the average amount of all dual recipients ($130.01) and the blind and disabled recipients received larger social security benefits averaging $131.50 and $133.59, respectively (see table 27).

TABLE 27.—SSI: PERSONS RECEIVING FEDERALLY ADMINISTERED PAYMENTS AND NUMBER AND PERCENT IN CONCURRENT RECEIPT OF INCOME, BY REASON FOR ELIGIBILITY, SOURCE OF INCOME, AND AVERAGE MONTHLY AMOUNT

Type of income	Total	Aged	Blind	Disabled
December 1975:				
Total number	4,314,275	2,307,105	74,489	1,932,681
Number:				
Social security benefits	2,271,815	1,604,030	26,408	641,377
Other unearned income	452,160	265,054	5,699	181,407
Earned income	120,775	61,286	4,860	54,629
Percent with income:				
Social security benefits	52.7	69.5	35.5	33.2
Other unearned income	10.5	11.5	7.7	9.4
Earned income	2.8	2.7	6.5	2.8
Average monthly amount:				
Social security benefits	$130.00	$128.55	$131.50	$133.59
Other unearned income	$61.10	$55.43	$68.17	$69.17
Earned income	$80.60	$66.48	$237.13	$82.52
March 1983:				
Total number	3,867,445	1,539,549	77,950	2,249,946
Number:				
OASDI benefits	1,906,902	1,071,166	29,188	806,548
Other unearned income	392,041	193,878	8,633	189,530
Earned income	126,516	22,545	5,038	98,933
Percent with income:				
OASDI benefits	49.3	69.6	37.4	35.8
Other unearned income	10.1	12.6	11.1	8.4
Earned income	3.3	1.5	6.5	4.4
Average monthly amount:				
OASDI benefits	$230.88	$233.92	$244.74	$226.35
Other unearned income	$80.75	$71.14	$80.45	$90.60
Earned income	$106.58	$106.70	$413.31	$90.93

Source: Social Security Administration.

In March 1983, 49.3 percent of the persons receiving SSI benefits also received social security benefits. The rate of receipt of social security varied from 69.6 percent for the aged, to 37.4 percent for the blind, and 35.8 percent for the disabled. The average monthly social security benefit was $230.88. The disabled received social security benefits that were lower than the average amount ($226.35), and the aged and the blind received social security benefits in excess of the average amount, $233.92 and $244.74, respectively (see table 27).

The number of dual beneficiaries declined in part because the average social security benefit increased at a faster rate than the SSI standards. Between December 1974 and December 1983, the Federal SSI payment level for an individual increased by 208 percent, compared with 235 percent for the average social security payment. Social security benefits increased in response to both cost-of-living increases and the higher earnings of new beneficiaries, whereas the SSI standard increased only for the rise in the cost of living. Other

things being equal, the number of dual recipients should continue to decline over time.

EMPLOYMENT

In 1973, 3.8 percent of the persons receiving old age assistance also had earnings; 11.5 percent of recipients of aid to the blind or aid to the permanently and totally disabled also had earnings. (Data not available for 1974.)

In December 1975, approximately 2.8 percent of the persons receiving SSI payments had earnings. The rate of employment among blind adults (6.5 percent) was higher than for the aged (2.8 percent) and for disabled adults (2.7 percent). The average monthly amount of earned income was $80.60. Aged recipients earned on average $66.48 and disabled recipients earned $82.52. Blind recipients earned more than three times the average amount, $237.13 (see table 27).

In March 1983, 3.3 percent of the persons receiving SSI payments had income from employment. The rate of employment among blind adult recipients (6.5 percent) was higher than for the aged (1.5 percent) and for disabled adults (4.4 percent). Monthly earnings averaged $106.58. Disabled recipients earned an average of $90.93, aged recipients earned $106.70, and blind recipients earned almost four times the average amount, $413,31 (see table 27).

TRENDS IN STATE SUPPLEMENTATION

Since the beginning of the SSI program, a substantial number of aged, blind, and disabled recipients have received either a State supplementary payment only or a State supplementary payment in combination with a Federal SSI payment. At the end of 1982, 1.8 million persons, 46 percent of the 3.9 million recipients of SSI, received a State supplement. The number of persons receiving supplements has remained fairly stable over the history of the program, ranging from 1.8 to 2 million. However, significant changes have occurred in individual State supplementary programs.[40]

States that provided only for mandatory supplementation have shown relatively large declines in both caseloads and expenditures. In January 1974, 16 States provided the mandatory supplementation to persons transferred from the former State adult assistance programs ("grandfathered" cases). By December 1981, only seven States[41] continued to provide mandatory supplementation. Eight of the nine other States[42] had initiated optional supplementation programs during 1979–81. The mandatory supplementation obligations of the other State (West Virginia) were met through State-administered vendor payments.

For the seven States that continued to provide mandatory supplementation only, the overall caseload dropped from 75,945 in December 1974 to 2,911 in December 1981, a 96-percent reduction. The

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[40] SSI: Trends in State Supplementation. Social Security Bulletin, v. 43, No. 7 and Vol. 46, No. 5.

[41] The seven States providing mandatory supplementation only were Arkansas, Georgia, Kansas, Louisiana, Mississippi, Ohio, and Tennessee.

[42] The nine other States were Florida, Indiana, Maryland, New Mexico, South Dakota, Utah, Virginia, West Virginia, and Wyoming.

caseload reductions occurred because some recipients died and because Federal SSI payment levels and social security benefit levels were increased several times during this period. The income levels were thus raised for many recipients in these States, and subsequently the need for mandatory supplements were diminished. At the end of 1981, nearly all of the persons who qualified for aid under the SSI program in these States therefore received only a Federal SSI payment. In fact, had it not been for legislation enacted in 1976 that required States to pass along to their recipients Federal cost-of-living increases, all of the persons receiving mandatory supplements would have been removed from the rolls by now.

For the seven States still providing mandatory supplements, the change in expenditures was dramatic: the annual amount expended dropped from $29 million in 1974 to $504,000 in 1981. Further, not only were fewer persons receiving supplementary payments in the mandatory-only States, but also smaller supplements were made to those who remained on the rolls (see table 28).

TABLE 28.—NUMBER OF PERSONS RECEIVING STATE SUPPLEMENTATION IN STATES WITH ONLY MANDATORY PROGRAMS: 1974 AND 1981

State	Number of persons			Amount of payments (in thousands)		
	December		Percentage change 1974–81	December		Percentage change 1974–81
	1974	1981		1974	1981	
Total	75,945	2,911	−96.2	$29,111	$504	−98.3
Arkansas	17,137	328	−98.1	3,499	58	−98.3
Georgia	12,553	400	−96.8	5,874	71	−98.8
Kansas	1,466	199	−86.4	1,241	71	−94.3
Louisiana	24,481	1,099	−95.5	9,292	141	−98.5
Mississippi	10,659	400	−96.2	2,822	60	−97.9
Ohio	6,414	442	−93.1	4,453	103	−97.7
Tennessee	3,235	43	−98.7	1,930	NA	—

Source: Social Security Administration.

A State provides an optional supplement to help persons meet needs not fully covered by Federal SSI payments. The State determines whether it will make a payment, to whom, and in what amount. These supplements paid on a regular monthly basis, are intended to cover such items as food, shelter, clothing, utilities, and other daily necessities. Some States provide optional supplementation to all persons qualifying for Federal SSI benefits (broad coverage), while others may limit them to certain SSI recipients such as the blind or residents of domiciliary care facilities (limited coverage), or may extend them to persons who would be eligible for Federal SSI payments but for excess income.

At the end of 1981, 42 States including the District of Columbia had optional supplementation programs. Twenty-four States limited their coverage to selected categories of SSI recipients. Eighteen States including the District of Columbia offered coverage to nearly all persons who qualified for the Federal SSI program and extended coverage to persons who would have qualified had their income not exceeded the basic Federal payment level.

Among States that provided limited optional State supplementary payments, caseloads tended to drop, but expenditures tended to

increase (see table 29). For States that provided broad optional State supplements caseloads became somewhat stable although expenditures continued to rise (see table 30).

TABLE 29.—NUMBER OF PERSONS RECEIVING STATE SUPPLEMENTATION IN STATES WITH LIMITED OPTIONAL PROGRAMS: 1974 AND 1981

State	Number of Persons			Amount of payments (in thousands)		
	1974	1981	Percentage change 1974–81	1974	1981	Percentage change 1974–81
Total	205,125	143,334	−30.1	$141,934	$150,907	6.3
Alabama	28,993	16,726	−42.3	13,860	11,643	−16.0
Arizona	1,611	1,674	3.9	1,872	1,322	−29.4
Connecticut	9,929	11,502	15.8	9,261	22,012	137.7
Delaware	2,995	434	−85.5	1,369	449	−67.2
Florida	6,945	7,135	2.7	4,161	3,407	−18.1
Idaho	3,111	2,924	−6.0	1,138	3,488	206.5
Illinois	34,161	29,754	−12.9	19,163	28,685	49.7
Iowa	2,795	1,711	−38.8	2,098	988	−52.9
Kentucky	10,414	7,981	−23.4	7,848	11,184	42.5
Maryland	3,577	1,011	−71.7	2,718	902	−66.8
Minnesota	6,957	10,214	46.8	5,107	11,642	128.0
Missouri	62,240	22,047	−64.6	47,436	10,156	−78.6
Montana	596	709	19.0	503	699	39.0
Nebraska	5,457	8,241	51.0	3,046	5,059	66.1
Nevada	3,635	3,775	3.9	1,908	2,581	35.3
New Mexico		278			241	
North Carolina	9,210	10,833	17.6	12,487	24,571	96.8
North Dakota		108			1,224	
South Carolina	970	1,695	74.7	916	2,279	148.8
South Dakota	966	466	−51.8	612	526	−14.1
Virginia	3,180	3,401	6.9	2,549	7,675	201.1
Wyoming		715			174	

Source: Social Security Administration.

TABLE 30.—NUMBER OF PERSONS RECEIVING STATE SUPPLEMENTATION IN STATES WITH BROAD OPTIONAL PROGRAMS: 1974 AND 1981

State	Number of Persons			Amount of payments (in thousands)		
	1974	1981	Percentage change 1974–81	1974	1981	Percentage change 1974–81
Total	1,615,679	1,727,553	6.9	$1,238,281	$1,914,613	54.6
California	586,813	677,343	15.4	644,193	1,230,639	91.0
Colorado	31,453	34,337	9.2	11,861	34,904	194.3
District of Columbia		14,414			3,957	
Hawaii	8,008	9,551	19.3	5,089	4,336	−14.8
Maine	20,915	19,745	−5.6	6,329	4,706	−25.6
Massachusetts	118,372	107,893	−8.9	135,082	118,521	−12.3
Michigan	103,236	105,138	1.8	44,347	62,411	40.7
New Hampshire		4,413			5,520	
New Jersey	58,498	79,809	36.4	21,549	32,191	49.4
New York	351,321	332,736	−5.3	254,278	225,391	−11.4
Oklahoma	69,726	55,594	−20.3	16,575	41,697	151.6
Oregon	19,222	12,370	−35.6	5,996	6,332	5.6
Pennsylvania	125,497	148,473	18.3	29,052	57,508	97.9
Rhode Island	13,931	13,502	3.1	5,906	6,724	13.9
Utah		5,712			702	
Vermont	7,965	8,146	2.3	3,757	4,871	29.7

TABLE 30.—NUMBER OF PERSONS RECEIVING STATE SUPPLEMENTATION IN STATES WITH BROAD OPTIONAL PROGRAMS: 1974 AND 1981—Continued

State	Number of Persons			Amount of payments (in thousands)		
	1974	1981	Percentage change 1974–81	1974	1981	Percentage change 1974–81
Washington	46,221	40,312	−12.8	15,168	16,738	10.4
Wisconsin	50,854	58,065	14.2	36,018	57,465	59.5

Source: Social Security Administration.

THE QUESTION OF ADEQUACY

Overview

Ideally, an income tested transfer system, along with the employment and work related benefit programs, should enable both those who can work and those who cannot work to have access to a level of income judged sufficient for basic needs. The usual approach to judging adequacy is to compare the maximum benefits of a given program with an income standard such as the poverty threshold.

In our discussion of how adequate the SSI program is we will look at both cash and noncash benefits.

SSI and Cash Programs

SSI provides a minimum income guarantee that is determined by Federal law and administered by the Social Security Administration. The Federal income floor in July–December 1983 was $304.30 monthly per individual and $456.40 per couple. These amounts included a 7 percent ad hoc benefit boost ($20 per individual, $30 per couple) that was paid in July 1983 after Congress postponed the scheduled 1983 cost-of-living allowance.

On January 1, 1984, when the 1983 cost-of-living allowance was paid belatedly, Federal SSI guarantees were increased to $314 per individual and to $472 per couple. These amounts were 79 percent and 94 percent, respectively, of the estimated 1983 poverty thresholds.

Like poverty thresholds, SSI benefits normally are adjusted annually for price inflation, but the measuring periods have been different. As a result, the poverty thresholds for aged persons rose about 10 percent more in 1973–81 than Federal SSI benefit levels in 1974–82.

States may provide additional payments to SSI recipients at their own expense. In January 1984, 25 States plus the District of Columbia offered supplements for aged persons living independently. The State payments ranged from $1.70 in Oregon to $252 in Alaska, $166.30 in Connecticut, and $163 in California.

Provision of State supplements lifted maximum benefit levels for aged individuals above the poverty threshold in six States, and for aged couples, in 19 States. For example, the January 1984 SSI guarantee level in California for an individual was $477, 120 percent of the estimated 1983 poverty threshold for an aged person (See tables 31 and 32).

TABLE 31.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED INDIVIDUALS LIVING INDEPENDENTLY [1] JANUARY 1984

State	SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Alabama	$314.00	$47.00	$361.00	$4,332.00
Alaska	[3] 566.00	55.00	621.00	7,452.00
Arizona	314.00	47.00	361.00	4,332.00
Arkansas	314.00	47.00	361.00	4,332.00
California	477.00	[4] 0	477.00	5,724.00
Colorado	372.00	30.00	402.00	4,824.00
Connecticut*	[5] 480.30	10.00	490.30	5,883.60
Delaware	314.00	47.00	361.00	4,332.00
District of Columbia	329.00	43.00	372.00	4,464.00
Florida	314.00	47.00	361.00	4,332.00
Georgia	314.00	47.00	361.00	4,332.00
Hawaii	318.90	105.00	423.90	5,086.80
Idaho	[6] 402.00	21.00	423.00	5,076.00
Illinois*	[7] 314.00	47.00	361.00	4,332.00
Indiana	314.00	47.00	361.00	4,332.00
Iowa	314.00	47.00	361.00	4,332.00
Kansas	314.00	47.00	361.00	4,332.00
Kentucky	314.00	47.00	361.00	4,332.00
Louisiana	314.00	47.00	361.00	4,332.00
Maine	324.00	44.00	368.00	4,416.00
Maryland	314.00	47.00	361.00	4,332.00
Massachusetts	442.00	10.00	452.00	5,424.00
Michigan	338.30	40.00	378.30	4,539.60
Minnesota	[8] 349.00	37.00	386.00	4,632.00
Mississippi	314.00	47.00	361.00	4,332.00
Missouri	314.00	47.00	361.00	4,332.00
Montana	314.00	47.00	361.00	4,332.00
Nebraska	388.50	25.00	413.50	4,962.00
Nevada	350.40	36.00	386.40	4,636.80
New Hampshire	[9] 341.00	39.00	380.00	4,560.00
New Jersey	[10] 343.17	44.00	387.17	4,646.04
New Mexico	314.00	47.00	361.00	4,332.00
New York	374.91	29.00	403.91	4,846.92
North Carolina	314.00	47.00	361.00	4,332.00
North Dakota	314.00	47.00	361.00	4,332.00
Ohio	314.00	47.00	361.00	4,332.00
Oklahoma	383.00	27.00	410.00	4,920.00
Oregon	315.70	47.00	362.70	4,352.40
Pennsylvania	346.40	38.00	384.40	4,612.80
Rhode Island	365.98	32.00	397.98	4,775.76
South Carolina	314.00	47.00	361.00	4,332.00
South Dakota	[11] 329.00	43.00	372.00	4,464.00
Tennessee	314.00	47.00	361.00	4,332.00
Texas	314.00	47.00	361.00	4,332.00
Utah	324.00	44.00	368.00	4,416.00
Vermont	[12] 364.00	32.00	396.00	4,752.00
Virginia	314.00	47.00	361.00	4,332.00
Washington	[12 13] 352.30	36.00	388.30	4,659.60
West Virginia	314.00	47.00	361.00	4,332.00
Wisconsin	413.70	[4] 0	413.70	4,964.40
Wyoming	[14] 334.00	41.00	375.00	4,500.00

[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category.

[2] For 1-person households, maximum food stamp benefits from October 1983 through September 1984 are $76 in the 48 contiguous States and the District of Columbia, $112 in Alaska, and $108 in Hawaii.

For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $89 per month; (2) an "excess shelter expense" deduction of $125 per month (the maximum allowable for nonelderly, nondisabled households); and (3) an "excess medical" deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter deductions were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($370 and $306, respectively, for combined standard and excess shelter allowance).

[3] Less if shelter costs less than $35 monthly.

[4] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.
[5] Estimated maximum paid for aged individual with average shelter cost of $200 monthly. Higher if shelter costs are higher or special needs exists. State decides benefit on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produced only $22 excess shelter deduction for food stamp calculation.)
[6] State disregards $20 of SSI payment in determining the State supplementary payment.
[7] Estimated usual maximum paid for aged individual. Assumes shelter allowance of $97. State decides benefits on case-by-case basis. Estimate provided by State official.
[8] Payment level for Hennepin County. State has 10 geographic payment levels.
[9] State disregards $13 of an individual's income in determining the supplementary payment. The State supplementary payment amount is rounded to the next higher dollar.
[10] Benefits shown include $16.68 per case for energy aid, disregarded by the food stamp program.
[11] State supplement paid only if recipient has no income other than Federal SSI payment.
[12] State has two geographic payment levels—highest are shown in table.
[13] Sum paid in King, Pierce, Kitsay, Snohomish, and Thurston Counties.
[14] State supplement paid only if recipient has less than $20 income.

*Data obtained from State by CRS.

Source of SSI data: Social Security Administration except for States marked with asterisk. Table prepared by Congressional Research Service.

TABLE 32.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED COUPLES LIVING INDEPENDENTLY,[1] JANUARY 1984

State	Maximum SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Alabama	$472.00	$63.00	$535.00	$6,420.00
Alaska	[3] 830.00	67.00	897.00	10,764.00
Arizona	472.00	63.00	535.00	6,420.00
Arkansas	472.00	63.00	535.00	6,420.00
California	886.00	[4] 0	886.00	10,632.00
Colorado	744.00	10.00	754.00	9,048.00
Connecticut	[5] 760.60	10.00	770.00	9,247.00
Delaware	472.00	63.00	535.00	6,420.00
District of Columbia	502.00	54.00	556.00	6,672.00
Florida	472.00	63.00	535.00	6,420.00
Georgia	472.00	63.00	535.00	6,420.00
Hawaii	480.80	147.00	627.80	7,533.60
Idaho	[6] 530.00	46.00	576.00	6,912.00
Illinois	[7] 494.45	56.00	550.45	6,605.40
Indiana	472.00	63.00	535.00	6,420.00
Iowa	472.00	63.00	535.00	6,420.00
Kansas	472.00	63.00	535.00	6,420.00
Kentucky	472.00	63.00	535.00	6,420.00
Louisiana	472.00	63.00	535.00	6,420.00
Maine	487.00	58.00	545.00	6,540.00
Maryland	472.00	63.00	535.00	6,420.00
Massachusetts	673.72	10.00	683.72	8,204.64
Michigan	508.40	52.00	560.40	6,724.80
Minnesota	[8] 538.00	43.00	581.00	6,972.00
Mississippi	472.00	63.00	535.00	6,420.00
Missouri	472.00	63.00	535.00	6,420.00
Montana	472.00	63.00	535.00	6,420.00
Nebraska	579.50	31.00	610.50	7,326.00
Nevada	546.46	41.00	587.46	7,049.52
New Hampshire	[9] 493.00	57.00	550.00	6,600.00
New Jersey	[10] 495.28	61.00	556.28	6,675.36
New Mexico	472.00	63.00	535.00	6,420.00
New York	548.03	40.00	588.03	7,056.36
North Carolina	472.00	63.00	535.00	6,420.00
North Dakota	472.00	63.00	535.00	6,420.00
Ohio	472.00	63.00	535.00	6,420.00
Oklahoma	616.00	20.00	636.00	7,632.00
Oregon	472.00	63.00	535.00	6,420.00
Pennsylvania	520.70	48.00	568.70	6,824.40
Rhode Island	570.30	33.00	603.30	7,239.60
South Carolina	472.00	63.00	535.00	6,420.00
South Dakota	[11] 487.00	58.00	545.00	6,540.00
Tennessee	472.00	63.00	535.00	6,420.00
Texas	472.00	63.00	535.00	6,420.00
Utah	492.00	57.00	549.00	6,588.00

TABLE 32.—MAXIMUM POTENTIAL SSI AND FOOD STAMP BENEFITS FOR AGED COUPLES LIVING INDEPENDENTLY,[1] JANUARY 1984—Continued

State	Maximum SSI benefit	Food stamp benefit [2]	Combined benefits	
			Monthly	Annual
Vermont	[12] [13] 563.00	36.00	599.00	7,188.00
Virginia	572.00	63.00	535.00	6,420.00
Washington	[12] [14] 508.40	52.00	560.40	6,724.80
West Virginia	472.00	63.00	535.00	6,420.00
Wisconsin	633.00	[4] 0	633.00	7,596.00
Wyoming	[15] 512.00	51.00	563.00	6,756.00

[1] In most States these maximums apply also to blind or disabled SSI recipients who are living in their own households; but some States provide different benefit schedules for each category.

[2] For two-person households, maximum food stamp benefits from Oct. 1983 through Sept. 1984 are $139 in the 48 contiguous States and the District of Columbia, $205 in Alaska, and $198 in Hawaii.

For the 48 contiguous States and D.C., the calculation of benefits assumes: (1) a "standard" deduction of $89 per month; (2) an "excess shelter expense" deduction of $125 per month (the maximum allowable for nonelderly, nondisabled households; and (3) an "excess medical expense" deduction of $6 monthly (estimated from 1978 medical expense information). If smaller excess shelter costs were assumed, food stamp benefits would be smaller. For Alaska and Hawaii, higher deduction levels were used, as provided by law ($370 and $306, respectively, for combined standard and excess shelter allowance).

[3] Less if shelter costs less than $35 monthly.

[4] SSI recipients in California and Wisconsin are ineligible for food stamps. These States provide increased cash aid in lieu of stamps.

[5] Estimated maximum paid for aged couple with average shelter cost of $200 monthly. Higher if shelter costs are higher or special needs exist. State decides benefits on case-by-case basis. Estimate provided by State official. (Assumed shelter cost produces no excess shelter cost deduction for food stamp calculation.)

[6] State disregards $20 of SSI income in determining the State supplementary payment amounts.

[7] Estimated usual maximum paid for aged couple. Assumes shelter allowance of $97. State decides benefits on case-by-case basis. Estimate provided by State official.

[8] Payment level for Hennepin County. State has 10 geographic payment levels.

[9] State disregards $20 of a couple's SSI income in determining supplementary payment amounts. State supplementary payment amounts are rounded to next higher dollar.

[10] Benefits shown included $16.68 per case for energy aid, disregarded by the food stamp program.

[11] State supplement paid only if recipient has no income other than Federal SSI payment.

[12] State has two geographic payment levels—highest levels are shown in table.

[13] Sum paid only in Chittenden County.

[14] Sum paid in King, Pierce, Kitsap, Snohomish, and Thurston Counties.

[15] State supplement paid only if couple has less than $40 income.

*Data obtained from State by CRS.

Source of SSI data: Social Security Administration except for States marked with asterisk. Table prepared by Congressional Research Service.

Unlike AFDC, where a family can be deemed needy by a State but receive no payment because maximum benefit levels are below need standards, SSI makes eligible all those with counted income below its guarantee levels. Thus, its guarantee levels are equal to its counted income eligibility limits. Further, the Social Security Act disregards the first $60 quarterly ($20 monthly) of almost any income received by an SSI individual or couple, 50 percent of whom have social security benefits. For dual recipients of SSI and social security, January 1984 minimum income guarantees were $334 for individuals and $492 for couples. These amounts equalled 84 percent and 98 percent, respectively, of estimated 1983 poverty thresholds.[43]

SSI not only provides an income floor for aged, blind, or disabled persons. It also offers aid to some persons whose earnings exceed that floor by 100 percent or more. SSI pays its full cash guarantee to those without income. For those with earnings, it provides a smaller government payment, one that declines as earnings rise. However, so as to assure that the person who works is better off financially then the one who does not work, the drop in the SSI payment is not so sharp as the rise in earnings.

[43] The 1983 poverty threshold for a single individual aged 65 or older was $4,770. The poverty threshold was $6,020 for a two-person family whose householder was 65 or older.

The SSI guarantee per individual is $314. Benefits are reduced by 50 percent of earnings after the first $65 earned monthly ($85 if the person has no unearned income). That is, for every dollar of earnings above $65, the SSI payment is reduced by 50 cents. Thus it takes earnings of $65 plus $628 (two times $314) to phase out the guarantee. An aged person is, thus, eligible for SSI assistance if his gross earnings are below $693 monthly, 174 percent of the estimated 1983 poverty threshold. However, for the disabled, counted earnings in exceess of $300 a month are used as an indicator that an individual is no longer disabled. Previous law (expired January 1, 1984) allowed an individual whose impairment continued, to remain eligible for a gradually reduced amount of SSI and for medicaid. In March 1982, 3.3 percent of the SSI population reported having some earnings.

AFDC

A person who is receiving AFDC benefits is not eligible for SSI. Thus, a needy mother of a disabled dependent child would choose the program that is more beneficial, probably SSI. A disabled child SSI recipient who is a member of a family receiving AFDC benefits would not be included in the AFDC grant.

SOCIAL SECURITY

It was noted in an earlier section that 50 percent of SSI recipients also receive social security benefits. Since any amount of social security payments in excess of $20 monthly is deducted dollar for dollar from SSI payments, the level of income for persons who receive both SSI and social security is currently $334 for an individual ($314 plus $20) and $492 for a couple ($472 plus $20), no matter what the amount of the social security benefit is, as long as it is below the implicit floor ($334 and $492). It is therefore reasonable to assume that some workers who expect to receive a social security monthly benefit below this implicit floor may choose to retire before the age of 65 and accept the early retirement reduction in social security benefits, realizing that as soon as they reach age 65, the SSI income guarantees will nullify that reduction. It is also reasonable that many dual beneficiaries may regard the extra $20 a month as a very small return for their preretirement work and payroll taxes.

SSI and Noncash Programs

In 1982, 95 percent of the 2,743,000 SSI households received at least one of the following noncash benefits—medicaid, food stamps, school lunch, or public housing (see table 33). Below is a discussion of some of the noncash programs.

TABLE 33.—HOUSEHOLDS, BY NUMBER OF SELECTED MEANS-TESTED PUBLIC NONCASH BENEFITS RECEIVED, TYPES OF MEANS-TESTED CASH PUBLIC ASSISTANCE, AND POVERTY STATUS: 1982

[Numbers in thousands as of March 1983]

Noncash benefits	All income levels					Below current poverty level					Above poverty level				
			Receiving cash public assistance					Receiving cash public assistance					Receiving cash public assistance		
	Total	Not receiving cash public assistance	Total	Receiving AFDC or other assistance	Receiving SSI	Total	Not receiving cash public assistance	Total	Receiving AFDC or other assistance	Receiving SSI	Total	Not receiving cash public assistance	Total	Receiving AFDC or other assistance	Receiving SSI
All households:															
Total	83,918	77,520	6,398	3,999	2,743	12,161	7,938	4,223	2,952	1,500	71,757	69,581	2,176	1,047	1,244
Not receiving noncash benefits	69,303	69,079	224	84	146	4,891	4,820	70	31	41	64,413	64,258	154	53	105
Receiving at least one noncash benefit	14,615	8,441	6,174	3,915	2,597	7,270	3,118	4,152	2,921	1,459	7,345	5,323	2,022	994	1,138
Noncash benefits totals:															
Food stamps, total	7,184	2,954	4,230	3,240	1,251	5,192	1,748	3,444	2,630	1,018	1,993	1,206	787	610	233
School lunch, total	5,634	3,571	2,062	1,888	331	3,023	1,351	1,671	1,579	211	2,611	2,220	391	309	129
Public housing, total	3,158	1,912	1,246	888	411	1,646	642	1,004	780	269	1,512	1,270	242	107	142
Medicaid, total	8,068	2,182	5,886	3,722	2,486	4,766	815	3,950	2,788	1,376	3,302	1,367	1,936	933	1,110
Receiving one noncash benefit only:															
Total	8,271	6,604	1,667	580	1,151	2,579	1,959	620	244	398	5,692	4,646	1,047	336	753
Food stamps only	1,650	1,464	186	141	57	863	724	139	99	49	788	740	47	41	8
School lunch only	2,283	2,258	25	12	13	566	555	11	6	5	1,717	1,703	14	6	8
Public housing only	1,320	1,303	17	6	11	289	284	5	.....	5	1,031	1,019	11	6	6
Medicaid only	3,018	1,579	1,439	421	1,071	861	396	465	139	339	2,157	1,183	974	283	731
Receiving two noncash benefits:															
Total	3,760	1,522	2,238	1,312	1,049	2,477	902	1,575	920	737	1,283	620	663	392	312
Food stamps and school lunch only	830	805	25	16	14	525	509	17	13	9	305	297	8	3	5
Food stamps and public housing only	168	137	31	16	16	124	96	27	13	15	44	41	3	3	1
Food stamps and medicaid only	1,978	236	1,742	1,060	777	1,482	164	1,318	760	625	496	72	424	299	152

School lunch and public housing only	174	171	2	2	1	38	36	2	2	.....	136	135	1	.....	1
School lunch and medicaid only	305	86	219	160	77	154	47	107	88	26	151	39	112	72	52
Public housing and medicaid only	306	87	219	58	165	155	51	104	45	62	151	36	115	13	102
Receiving three noncash benefits:															
Total	2,082	288	1,794	1,561	357	1,766	236	1,530	1,338	292	316	52	264	223	64
Food stamps, school lunch, and public housing only	122	121	1	1	.....	101	99	1	1	.....	21	21	.....	.....	.....
Food stamps, school lunch, and medicaid only	1,393	101	1,292	1,218	178	1,174	82	1,092	1,037	137	218	19	200	181	40
Food stamps, public housing, and medicaid only	542	63	478	326	171	475	53	422	2817	152	67	11	56	39	19
School lunch, public housing, and medicaid only	26	3	23	16	8	17	2	15	13	3	9	1	8	3	5
Receiving all four noncash benefits: Total	502	27	475	463	40	449	21	427	420	31	53	5	48	43	9

Note.—Households are classified according to the poverty status of the family or the nonfamily householder. (For meaning of symbols, see text.)

Source: U.S. Bureau of the Census, Current Population Reports. Characteristics of Households and Persons Receiving Selected Noncash Benefits: 1982. U.S. Government Printing Office, Washington.

FOOD STAMPS

Originally, the 1972 SSI law stipulated that SSI recipients would not be eligible for food stamp benefits. Congress anticipated that the increased cash assistance received by those in the SSI program would cover any loss of food assistance benefits. Instead, during planning for implementation of the new SSI program, it was found that significant numbers of SSI recipients would lose aggregate benefits if denied food stamps, and Congress changed the SSI law to allow continued receipt of food stamps except in States where the SSI payment was increased to replace lost food stamp benefits. At present, food stamps are denied to SSI recipients in California and Wisconsin, in return for an increase in their SSI benefit.

In addition, the food stamp law authorizes a set of pilot projects in which households composed entirely of SSI recipients receive their food stamp benefit in cash, separate from their SSI check. These pilot projects include; the State of Vermont; the State of Utah; Hennepin County, Minn.; Monroe County, N.Y.; Cuyahoga Country, Ohio; Portland area, Oreg.; Darlington, Dillon, Florence, and Marion Counties, S.C.; and Arlington County, Va.

An SSI recipient who lives in one of the States without supplementary cash benefits is eligible for $47 in food stamps (or cash in the pilot project areas); a couple is eligible for $63 (see tables 31 and 32). Both of these benefit amounts assume that the recipient qualifies for major adjustments in their food stamp benefit on account of their shelter and medical expenses. Combined (food stamp and SSI) monthly benefits (January–December 1984) are $361 per individual and $535 per couple, equal to 91 percent of the estimated 1983 poverty thresholds, respectively.

MEDICAID

In most States, a person receiving a Federal or State SSI payment is automatically eligible for medicaid. However, States have the option of limiting medicaid coverage of SSI recipients to persons meeting their more restrictive eligibility requirements carried over from the pre-SSI programs.

States choosing the more restrictive eligibility requirements must allow applicants to deduct medical expenses from income in determining eligibility. That is, applicants can receive medicaid coverage if they are able to "spend down" their income, other than the SSI payment, to the medicaid eligibility level in effect in January 1972. Fourteen States currently use the pre-SSI criteria [44] (see table 34).

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[44] Connecticut, Hawaii, Illinois, Indiana, Minnesota, Missouri, Nebraska, New Hampshire, North Carolina, North Dakota, Ohio, Oklahoma, Utah, and Virginia.

TABLE 34.—MEDICAID COVERAGE UNDER SSI BY JURISDICTION, FEBRUARY 1982

Medicaid jurisdiction	All SSI recipients	More restricted standard	Optional categorically needy				
			State supplement recipients			Individuals eligible but not receiving aid	Individuals eligible but in institutions
			Aged	Blind	Disabled		
Ababana	X		X	X	X		X
Alaska	X		X	X	X	X	X
Arkansas	X						X
California	X		X	X	X	X	X
Colorado	X		X			X	X
Connecticut		X	X	X	X	X	
Delaware	X					X	X
District of Columbia	X					X	X
Florida	X						X
Georgia	X						X
Hawaii		X	X	X	X	X	X
Idaho	X		X	X	X	X	X
Illinois		X	X	X	X		X
Indiana		X	X	X	X		
Iowa	X		X	X	X		X
Kansas	X						
Kentucky	X		X	X	X		
Louisiana	X						X
Maine	X		X	X	X	X	X
Maryland	X		X	X	X	X	X
Massachusetts	X		X	X	X	X	X
Michigan	X		X	X	X		
Minnesota		X	X	X	X		X
Mississippi	X						X
Missouri		X	X	X	X		X
Montana	X		X	X	X	X	X
Nebraska		X	X	X	X		X
Nevada	X		X	X			X
New Hampshire		X	X	X	X	X	X
New Jersey	X		X	X	X	X	X
New Mexico	X						X
New York	X		X	X	X	X	X
North Carolina		X	X	X	X	X	
North Dakota		X				X	X
Ohio		X					X
Oklahoma		X	X	X	X	X	X
Oregon	X		X	X	X	X	X
Pennsylvania	X		X	X	X	X	X
Rhode Island	X		X	X	X	X	X
South Carolina	X						X
South Dakota	X						X
Tennessee	X						
Texas	X						X
Utah		X				X	X
Vermont	X		X	X	X	X	X
Virginia		X	X	X	X	X	X
Washington	X		X	X	X	X	X
West Virginia	X					X	
Wisconsin	X		X	X	X	X	X
Wyoming	X						X

[1] Arizona does not operate a traditional medicaid program. Beginning Oct. 1, 1982, it began implementation of a 3-year demonstration project under which a specified set of services will be provided to the indigent on a prepaid basis.

Note.—Eligibility determination for the territories is based on separate regulations which are found in 42 CFR 436. The Medicaid agency may not require a separate application for Medicaid from an individual if the individual receives cash assistance under a State plan for OAA, AB, or APTD, or AFDC.

Source: Summary-Tables, Medicaid Program Characteristics. Office of Research and demonstrations, HCFA, April 1982.

States may also cover persons receiving State supplementary SSI payments or persons who would be eligible for cash assistance except that they are residents in medical institutions (such as skilled nursing facilities). As noted earlier, the SSI payment to recipients who are in medical facilities in which medicaid pays more than half of the cost of their medical services and treatment is reduced to $25 a month.

States are required to extend medicaid eligibility to aged, blind, and disabled persons who were eligible for medicaid in December 1973 as long as they meet the 1973 criteria; to persons receiving mandatory State supplements; and to persons actually receiving SSI and/or State supplements who lose their eligibility for SSI or State supplements solely because of social security cost-of-living increases.

States are required to offer the following services to categorically needy recipients under their medicaid programs: inpatient and outpatient hospital services; laboratory and X-ray services; skilled nursing facility (SNF) services for those over age 21; home health services for those entitled to SNF care; early and periodic screening, diagnosis, and treatment (EPSDT) for those under age 21; family planning services and supplies; and physicians' services. They may also provide additional medical services such as drugs, intermediate care facility (ICF) services, eyeglasses, inpatient psychiatric care for individuals under age 21 or over 65. States are permitted to establish limitations on the amount of care provided under a service category (such as limiting the number of days of covered hospital care or the number of physicians' visits).

MEDICARE

In 1983, about 12 percent of aged and disabled medicare enrollees were also covered by State medicaid programs. While coverage under medicare part A (hospital insurance) is automatic for most aged and certain disabled persons with insured status under the social security system, coverage under medicare part B (physician services) requires the payment of a monthy premium.

For dual recipients, medicaid usually pays the medicare deductibles, copayments, and monthly part B premiums. Even so, medicare benefits are worth little to most SSI recipients because SSI recipients are in most cases automatically eligible for medicaid. In most States, not only does medicaid furnish some combination of outpatient prescriptions, false teeth and other dental care, eye glasses, orthopedic shoes, and hearing aids, but it also provides significantly better protection against the cost of nursing home care.

SOCIAL SERVICES

In fiscal year 1980, 11 percent of those who received one or more services from State social services programs under title XX of the Social Security Act were SSI recipients. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) amended title XX to establish a block grant to States for social services. The Federal funds are available to States without a State matching requirement, compared to the 25 percent State matching requirement under the old title XX law. Title XX social services block grant

funds are generally allocated to the States on the basis of population. The 1981 Budget Reconciliation Act also eliminated the Federal rule that at least 50 percent of the Federal title XX funds received by a State be spent for services to recipients of AFDC, SSI, or medicaid or to persons eligible for those programs. About 30 percent of title XX funds to SSI recipients are spent for homemaker/chore services, such as sending an individual trained by the local welfare agency to the home of an aged or disabled person periodically to assist with meal preparation, cleaning, and personal care to enable him to stay in his own home or apartment. In fiscal year 1980, approximately $369 million out of a nationwide title XX budget of $4.1 billion was spent on the elderly poor persons enrolled in SSI.[45]

A recent study [46] examining the differences among the States in their distribution of social services to the elderly poor made two interesting observations. First, the study found that the independent variable that added most to the prediction of the percentage of a State's social services budget directed to elderly SSI recipients was the percentage of the State's elderly SSI recipients who were nonwhite. When the other independent variables in the model were controlled for, there was a decrease of 0.098 percent in title XX expenditures for elderly SSI recipients for every 1 percent increase in a State's elderly nonwhite population. Second, the study found that States appear to make an effort to direct a "fair share" of title XX resources to the elderly poor. When the other variables were taken into account, for every 1 percent increase in the elderly poor population of a State, there was a 0.3 percent increase in title XX expenditures for elderly SSI recipients. Even though the independent variables entered in the stepwise regression were not statistically significant (together they explained only 18 percent of the variance), when other factors were controlled for, race became significant. Such a finding at the minimum calls for a closer scrutiny of the relationship between race and receipt of various services.

VOCATIONAL REHABILITATION

The fundamental objective of vocational rehabilitation for SSI recipients is to enable disabled individuals to return to productive work. This objective is evident in the criteria used for selecting disabled and blind SSI recipients for rehabilitation.

(1) The disabling physical or mental impairment must not be so rapidly progressive as to preclude the individual's restoration to productive activity.

(2) The impairment, without the planned rehabilitation services, is expected to remain severe enough to require continued payment of SSI benefits.

(3) It can reasonably be expected that these services will restore the individual to productive activity.

(4) The predictable period of productive work following the provision of rehabilitative services will be long enough for the

[45] Nelson, Gary M. How States Distribute Title XX Funds to the Elderly Poor. Social Work Research and Abstracts, v. 19, no. 2. p. 3–10.
[46] Ibid., p. 3.

cost of the services to be offset by future savings in SSI payments.

The criteria are intended to exclude those whose impairments are responding to treatment and who can be anticipated to go off the SSI roll without the need for vocational rehabilitation services. The emphasis on "productive activity" rules out services that might be aimed at restoring an individual to nonremunerative activity or to a marginal earnings capacity that would fall short of substantially reducing dependence on SSI payments.

Disabled individuals who are medically determined to be drug addicts or alcoholics can receive SSI only if they accept appropriate treatment for their conditions at an approved facility. Under the monitoring program State vocational rehabilitation agencies, or other State agencies under contracts with the Secretary of HHS, are to refer drug addicts or alcoholics to approved treatment facilities, monitor their treatment, and report noncompliance and successful treatment to the Social Security Administration.

Public Law 94–566 enacted October 20, 1976 added a new category of services. Under the 1976 provision, medical developmental and social services were to be provided for disabled child SSI recipients under age 16. Previously the law did not contain specific provision for services or referral to services appropriate for children. The vocational rehabilitation provision in the law was designed for people who enter or reenter the work force and generally did not provide the types of services that disabled children require. Services for blind and disabled children were transferred out of the Department of Health and Human Services and into the Public Health Service in 1980.

The law requires that each blind and disabled SSI recipient under the age of 65 must be referred to the State vocational rehabilitation agency. Any individual may be found ineligible for SSI benefits if he refuses to accept any vocational rehabilitation services.

Prior to the 1981 Budget Reconciliation Act, the SSI law provided that Federal funds be used to reimburse State vocational rehabilitation agencies for the cost of rehabilitation services provided to disabled and blind SSI recipients. In October 1981, a substantial change was implemented. As a result of the Reconciliation Act, the SSA now provides funds only to reimburse vocational rehabilitation agencies for costs incurred in successfully rehabilitating SSI recipients. A successful rehabilitation is defined by law as one in which vocational rehabilitation services result in performance of substantial gainful activity for a continuous period of 9 months.

LOW-INCOME ENERGY ASSISTANCE

States have considerable discretion under the low-income energy assistance program to determine eligibility criteria and the types of assistance to be provided to low-income households to deal with high energy costs.

Federal funds may be used to make payments to households in which one or more individuals is receiving AFDC, food stamps, SSI or certain veterans' benefits or to households with incomes that do not exceed the greater of 150 percent of the poverty level or 60 per-

cent of a State's median income. In fiscal year 1982, most States used the income criteria rather than the categorical program criteria.

At the option of the State, the SSA will make direct payments to qualified SSI recipients. SSI recipients are not automatically eligible for direct assistance if they live in a medicaid institution, live in the household of another resulting in a one-third benefit reduction, or are disabled or blind children living at home.

Nonparticipation in the SSI Program

In 1982, the Social Security Administration (SSA) reported the findings of its study to evaluate SSA estimating technques and the major theories advanced to explain nonparticipation.[47]

The study concluded that the original esitmates had been correct, and indicated that between 30 and 35 percent of aged person eligible for SSI are not participants in the program. An examination of the cause of nonparticipation found that when taken together the effects of both past and current State policies had a significant effect on participation rates. That is, the participation rate was highest for States with State supplements and no past lien laws and lowest for States with prior lien laws and no State supplements. Note that when the components were examined separately there was no significant effect on participation rates.

Although the demographic profile of eligible nonrecipients differed slightly from that of recipients—eligible nonrecipients had slightly higher average incomes from sources other than SSI and were somewhat younger, healthier, better educated, and more likely to be white, female and to live in their own household—the study found no significant explanation for their nonparticipation. According to the SSA report, 45 percent of the nonparticipants said they had not heard of the SSI program and 60 percent of those who had heard of the program said they had never tried to find out if they were eligible.

Under the Social Security Amendments of 1983 (Public Law 98–23), before July 1, 1984 and on a one-time basis, HHS must notify all elderly social security beneficiaries who are potentially eligible of the availability of SSI and encourage them to contact their district offices. In addition, the provision requires that the same information be included on notices to social security recipients of upcoming eligibility for supplemental medical insurance.

CONCLUSION

The SSI program provides a minimum income guarantee that is detemined by Federal law. The maximum Federal SSI payment in 1984 is $3,768 for an individual and $5,664 for a couple. These amounts are 79 percent and 94 percent, respectively, of the estimated 1983 poverty thresholds.[48] As discussed earlier, 50 percent of SSI recipients also receive social security benefits. These dual recipients received an additional $240 in 1984, increasing income for

[47] Low-Income Aged: Eligibility and Participation in SSI. Social Security Bulletin, V. 45, no. 5, May 1982. p. 28–35.

[48] See footnote 43.

individuals to 84 percent of the poverty threshold and for couple to 98 percent of the poverty threshold. Provisions of State suppements lifted maximum benefit levels for aged individuals above the poverty level in six States.[49]

Census Bureau data show that in 1983, 55 percent of the 2,743,000 households receiving SSI benefits had incomes below the 1982 poverty threshold (see table 3). However, data also show that had cash assistance (SSI, AFDC or general assistance) to persons 65 or older not been available in 1982, 442,000 more persons would have had incomes below the poverty threshold (see table 35). That is without case welfare, the poverty rate of the aged would have been 10.6 percent higher (a rate of 16.3 rather than 14.6). Further the data indicate that if persons age 65 or older who received cash assistance (SSI AFDC, or general assistance) had received $31 more a week, they would have had incomes equal to the poverty threshold (see table 36).

TABLE 35.—PERSONS IN POVERTY UNDER VARIOUS INCOME CONCEPTS, BY AGE GROUP: 1982

			Total income less—				
	Total income official poverty measure	Only earnings, dividends, interest, and misc. income	Social security railroad retirement	Pensions	Unemployment compensation, workers compensation, veterans pension	AFDC, SSI, general assistance	Total income plus—food stamps
Total (in thousands)	34,398	57,495	48,230	36,853	37,619	36,539	32,734
Children (less than 18)	13,647	16,214	14,536	13,855	14,603	14,284	12,905
Persons age 18–64	17,000	25,238	20,642	18,404	18,894	18,061	16,185
Persons age 65 and over	3,751	16,043	13,053	4,594	4,122	4,194	3,643
Total (percent)	15.0	25.1	21.0	16.1	16.4	15.9	14.3
Children (less than 18)	21.9	26.0	23.3	22.2	23.4	22.9	20.7
Persons age 18–64	12.0	17.9	14.6	13.0	13.4	12.8	11.5
Persons age 65 and over	14.6	62.3	50.7	17.8	16.0	16.3	14.2
Total (percent change)			−28.7	−6.7	−8.6	−5.9	−4.8
Children (less than 18)			−6.1	−1.5	−6.5	−4.5	−5.4
Persons age 18–64			−17.6	−7.6	−10.0	−5.9	−4.8
Persons age 65 and over			−71.3	−18.3	−9.0	−10.6	−2.9

Source: Congressional Research Service.

[49] Alaska, California, Idaho, Massachusetts, Nebraska, and Wisconsin.

TABLE 36.—POVERTY GAP UNDER VARIOUS INCOME CONCEPTS, BY AGE GROUP: 1982

	Total income official poverty measure total income official	Only earnings, dividends, interest, and miscellaneous income	Total income less— Social security, railroad retirement	Pensions	Unemployment compensation, worker's compensation, veterans pension	AFDC, SSI, general assistance	Total income plus—food stamps
Total aggregate poverty gap (in millions)	$43,826	$121,967	$84,169	$48,378	$49,860	$59,010	$38,222
Children (less than 18)	15,136	25,525	17,304	15,490	16,572	21,209	12,077
Persons age 18–64	24,450	50,901	33,697	27,250	28,315	31,545	21,916
Persons age 65 and over	4,240	45,541	33,168	5,639	4,973	6,256	4,230
Total average gap per person [1]	$1,274	$2,121	$1,745	$1,313	$1,325	$1,615	$1,168
Children (less than 18)	1,109	1,574	1,190	1,118	1,135	1,485	936
Persons age 18–64	1,438	2,017	1,632	1,481	1,499	1,747	1,354
Persons age 65 and over	1,130	2,839	2,541	1,227	1,206	1,492	1,161
Total percentage change in aggregate gap			−47.9	−9.4	−12.1	−25.7	−12.8
Children (less than 18)			−12.5	−2.3	−8.7	−28.6	−20.2
Persons age 18–64			−27.4	−10.3	−13.7	−22.5	−10.4
Persons age 65 and over			−87.2	−24.8	−14.7	−32.2	−.2

[1] The average poverty gap per poor person is the total family poverty gap divided by the number of family members. Since poverty is based on a family income definition, completely filling the gap for children, for example, would not remove all children from poverty, since the poverty gap for other family members would have to be reduced as well.

Source: Congressional Research Service.

Nearly all SSI recipients are eligible for benefits from a number of noncash programs. In 1982, 91 percent of households receiving SSI also received medicaid, 46 percent received food stamps,[50] and 15 percent lived in public housing. Data are lacking on the number of SSI recipients who actually received social services. In-kind benefits significantly improved a person's standard of living, but do not affect his poverty status, which is based on cash income. The more noncash benefits an SSI household receives the greater the likelihood that the household is poor.

[50] Note that California and other States provide increased SSI benefits instead of food stamps.

Chapter 6

ADMINISTRATION AND SERVICE DELIVERY IN THE SUPPLEMENTAL SECURITY INCOME PROGRAM, 1974 THROUGH 1983

(Prepared by the Social Security Administration,[1] Department of Health and Human Services)

INTRODUCTION

This report provides an overview of the administrative structures and processes through which the Social Security Administration (SSA) delivers its services to supplemental security income (SSI) claimants and recipients. The report documents the improvements and adjustments that SSA has made in the administration of the SSI program from 1974, when the program started, through 1983, the tenth year of the program's operation. The first decade of the SSI program has been marked by significant changes and improvements that have led to improved fiscal responsibility and administrative efficiency in the day to day operation of the program. These changes and improvements have also in many cases reduced the burden on the recipients and resulted in more accurate, reliable payments.

Legislation and other changes have altered many of the processes put in place in 1974 and have affected how the agency and SSI recipients interact. The tenth anniversary of the program is an appropriate time to examine these changes and their effects.

This is not, of course, the first effort to survey and evaluate the administration of the SSI program (appendix A summarizes three prior major studies on SSI). We have used these studies and existing internal SSA data and statistics in developing this report. We believe that the statistics relating to our administrative process generally speak for themselves regarding improvements accomplished.

In this report we have tried to concentrate on administrative practices and structures, including the role of systems, rather than the policy directions and deliberations which, while significant, are less directly related to delivery of services.

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[1] The Office of Supplemental Security Income directed development of the report. Contributing components were the Office of Assessment, Office of Field Operations, Office of Governmental Affairs, Office of Management, Budget and Personnel, and the Office of System Requirements. Principal writers were Jack Baumel, Davida Buchanan, William Farrell, René Parent (editor), Sandra Rabel, Dennis Reilly, Richard Schaefer, and Michael Tenney. Secretarial assistance was provided by Patricia Mathews, Teresa Reif, Gail Scruggs, and Stephanie Wade.

SSI: LEGISLATIVE HISTORY

Federalization of Welfare Categories

The SSI program was enacted as part of the Social Security Amendments of 1972 (Public Law 92-603). Prior to enactment of this law four cash benefit assistance programs were operated by State and local jurisdictions under titles of the Social Security Act: Old age assistance (OAA), aid to families with dependent children (AFDC), aid to the blind (AB), and aid to the permanently and totally disabled (APTD). The Federal Government provided grants-in-aid which matched State funds spent on the basis of formulas contained in the respective titles of the law.

According to committee reports, Congress expected that under the new Federal program, uniform eligibility requirements and benefit payments would replace the multiplicity of requirements and payments under State-operated programs. Eligibility and payment amount are clearly defined in the law and are related to facts that can be objectively determined. The area of administrative discretion is limited. The Federal eligibility requirements and payment level are identical throughout the 50 States and the District of Columbia.

The basic eligibility requirements are that the individual be 65 or over, or blind or disabled and meet the statutorily defined income and resource limitations as well as the citizenship and residency requirements.

For the blind and disabled, generally the same definitions of disability and blindness as used in the contributory social insurance program are used for determining eligibility for benefits.

The payment amount is determined by subtracting countable income from the payment standard. In determining income, both earned and unearned income are taken into account. Earned income includes wages and net earnings from self-employment, and unearned income includes all other income. A certain amount of each type of income is excluded from consideration.

In addition to the consideration of income in determining eligibility, there are resource limits established by law. In determining resources, a home, household goods, personal effects, and certain other items are excluded.

Significance of SSA Administration

> The SSI program was envisioned as a basic national income maintenance system for the aged, blind, and disabled which would differ from the State programs it replaced. * * * It would be administered by the Social Security Administration in a manner as comparable as possible to the way in which benefits were administered under the old age, survivors, and disability insurance (OASDI) program. * * * The intent was not to give the Social Security Administration a new type of job to do which would be similar to the job previously done by welfare agencies, but rather to take the income maintenance functions previously handled by the State welfare agencies and transform them into something which would be handled by the Social

Security Administration largely in the way in which it had always handled social security benefits.[2]

FEDERAL/STATE PARTNERSHIP

The SSI program created a new Federal-State partnership in which the Federal Government is responsible for funding and administering a uniform minimum income level for the needy aged, blind, and disabled. Under the partnership, the Federal Government assumes the responsibility for interviewing claimants for SSI payments and makes decisions on their eligibility. The States supplement the Federal SSI standard, where necessary, by mandatory or optional State supplementation to bring a person's income up to a higher standard.

OPTIONAL SUPPLEMENTATION

States may choose to provide additional benefits to meet needs arising from higher living costs in certain geographical areas and in certain living arrangements. States are encouraged to provide these supplements. The Federal Government will administer the payments and pay the State amount in the same check as the Federal SSI payment at no administrative cost to the State. It was decided to permit Federal administration of supplementary payment variations involving geographical subdivisions, living arrangements, and categories of eligibility. This position was a compromise between permitting States flexibility to adjust to local circumstances and encouraging States to provide supplements on one hand, and considerations of limiting Federal administrative complexity and cost on the other.

Congress recognized that States that opted for Federal administration of their supplementation programs would lose control over program costs. In response, the SSI law included a hold-harmless provision under which States which elected Federal administration of their programs were protected against increased supplementation costs over which they had no control.

MANDATORY SUPPLEMENTATION

When the SSI program first started making benefit payments in January 1974, the assured SSI minimum income level was higher than the levels of assistance that had previously been paid in about half the States under the former Federal-State programs; most recipients in those States received increased payments as a result of the higher Federal levels, and the States did not have to supplement the Federal payments for those people. Congress was concerned, however, that other recipients in those States, who because of some special need or circumstances had been supported to a level above the Federal level, and recipients in other States which generally provided support levels that were higher than the Federal level, would have been disadvantaged when the Federal program went into effect. Consequently, Public Law 93–66 was passed which contained a provision that generally required States to supplement

[2] Staff to the Committee on Finance, U.S. Senate, The Supplemental Security Income Program, Washington, 1977, pp. 23–34.

the Federal program where necessary to at least maintain assistance recipients' incomes at their December 1973 levels if they received benefits at that time; this is mandatory supplementation. States which do not maintain their current assistance recipients' December 1973 income levels are not eligible for Federal matching funds for the Federal-State medical assistance program.

After Congress provided cost-of-living adjustments (COLA's) based on increases in the Consumer Price Index (CPI), there was concern that the increased Federal benefit levels would not be passed on to recipients because States might reduce the dollar amount of their State supplementary benefits by the amount of the increase in the Federal benefits.

Under the provisions of Public Law 94-585 (October 21, 1976), Congress required the States to pass through increases in the Federal benefit rate to the SSI recipients. States were given two options in meeting this requirement—maintaining the December 1976 payment levels to all categories of recipients, or maintaining the previous year's total supplementation expenditures (compliance is measured on a July 1 through June 30 basis prior to January 1984 and on a January through December basis beginning January 1984). A State electing to use the second method was free to adjust payment levels of various categories of recipients so long as its aggregate yearly expenditures equaled expenditures over the previous 12-month period.

Congress, some 6 years after the institution of mandatory passthrough, made three changes in passthrough requirements in rapid succession. These changes were made in response to States' fiscal worries and in recognition of the interaction of a declining SSI caseload and the two options available to States under the passthrough provision. Because there were fewer eligibles to pay, States that had chosen to maintain expenditure levels could not meet that requirement easily. The alternatives were either to raise payment levels so that the expenditures would equal the previous year's or to switch to the individual payment level methods which would entail going back to the December 1976 level and passing through all cost-of-living increases since that time.

The first amendment, a provision in Public Law 97-248 (September 3, 1982) allowed States using the aggregate expenditure method to switch to the payment level method by maintaining the levels in effect in December of the previous period rather than those in effect in December 1976. This permitted States to adjust their supplementary programs to current conditions and still operate them in the most economical manner at little or no risk to recipients.

The second amendment, contained in Public Law 97-377 (December 21, 1982), waived certain requirements of the passthrough provision to protect States from losing medicaid funding because their expenditures for SSI supplementation in the period July 1980–June 1981 had fallen short of expenditure levels in the preceding 12-month period. Once again, this result was obtained without risk to recipients because the shortfall in expenditures had not been caused by the States having lowered their benefit levels, but by a declining caseload.

Mandatory passthrough was modified a third time by a provision of Public Law 98-21 (April 20, 1983). A State using the payment

level method for any period ending after June 30, 1982, is now required to maintain its March 1983 levels and, in July 1983, has to pass through at least the increase in the Federal benefit rate that would have occurred had the scheduled 3.5 percent COLA been effective in July 1983 rather than delayed until January 1984. This provision was related to the delay in the SSI COLA and its purpose was two-fold. It assured that recipients would receive at least as much of an increase as they would have gotten had the COLA not been delayed, and it precluded significantly higher supplementation costs for the States, which might have resulted from their having to pass through the entire $20/$30 Federal benefit increase in July 1983.

Congress also reaffirmed, after an intervening departure, its original intent concerning the hold-harmless protections offered to States choosing Federal administration of their supplementation programs. The change was accomplished through a gradual withdrawal of the Federal protection. The 97th Congress approved legislation phasing out hold-harmless funding over a 3-year period ending with fiscal year 1984.

ADMINISTRATION OF STATE SUPPLEMENTATION

SSA has negotiated contracts for Federal administration of State supplementation of Federal benefits in 27 States, and our negotiations are of a continuing nature. In 17 of those States there is Federal administration of both the mandatory and optional State supplements, while 10 States have Federal administration of the mandatory supplementary programs only.

There is no uniformity from State to State in the supplementary programs. Optional State supplementation is designed to permit States to meet needs as they perceive them, and the result is a variety of differing supplementary payment amounts.

We have also entered into agreements with 27 States under which we make determinations of eligibility for the State medical assistance programs for SSI claimants. In addition, many States that did not opt for federally administered State supplementation or federally prepared determinations of medical assistance eligibility have signed agreements with the Secretary of Health and Human Services (HHS) under which the Social Security Administration and the State exchange eligibility and payment data that both parties need to administer their respective programs. Regardless of the type of agreement between SSA and the State, there is a need for exchanging data, since many of the program requirements are the same. We have developed an electronic data processing system for this purpose, known as the SSI/State data exchange system, or SDX.

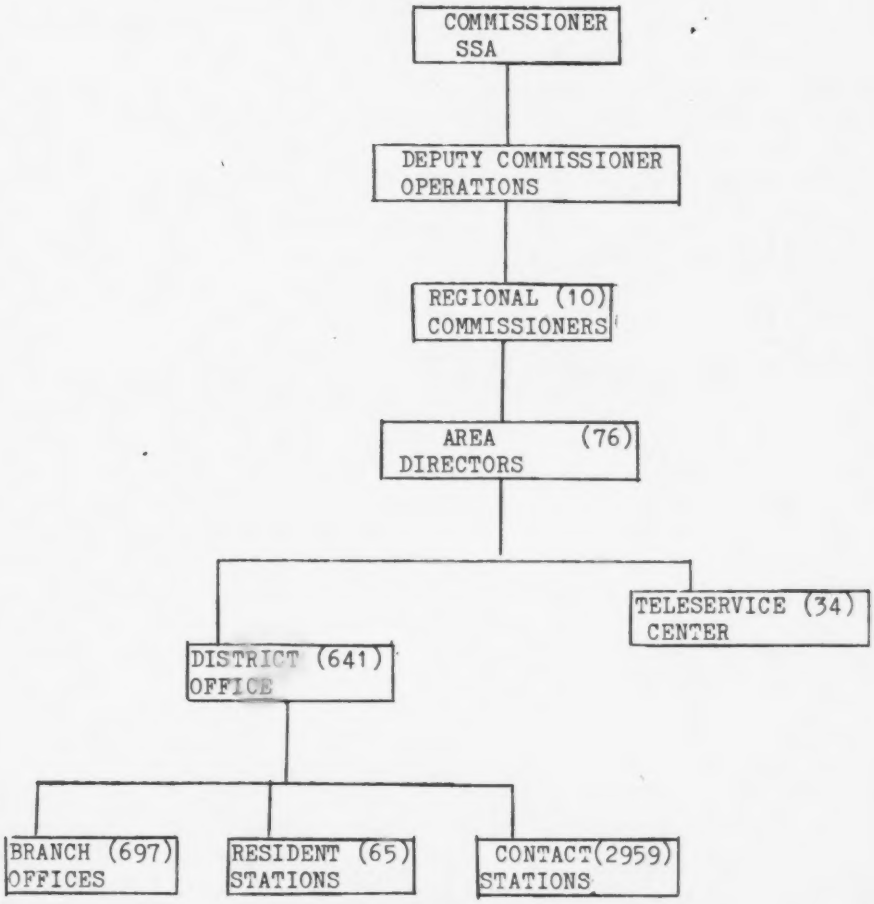
ADMINISTRATIVE STRUCTURES

Field Offices

The field office (FO) is the point of contact for most, if not all public dealings with SSA. The term "field office" refers to SSA district and branch offices, teleservice centers, resident stations, and contact stations.

STRUCTURE OF SSA'S FIELD ORGANIZATION

All field offices are directed from SSA headquarters through a series of management levels. The diagram illustrates the chain of command for field office operations. The numbers in parentheses indicate the number of such offices throughout the country.



LOCATION AND NUMBER OF FIELD OFFICES

SSA has the largest network of field offices of any Federal agency. All of these offices are open to the public during established business hours. In addition to formal FO's (i.e., district and branch offices), SSA operates a number of contact and resident stations to serve the public in remote or sparsely populated areas. As of October 1983, SSA had a total of 1,338 district and branch offices, 34 teleservice centers, 2,959 contact stations, and 65 resident stations.

Field offices are established and located using guidelines published in SSA's administrative directives system. However, the public is free to use whatever facilities it chooses in handling social security business. Nothing in these guidelines implies "assign-

ment" of locations to which segments of the population should go. Some of the criteria used in deciding to open a new office or realigning an existing service area are:

—The overall population, the number of beneficiaries (title II) and recipients (title XVI), and claims workloads.
—Public access, expressed in terms of transportation, geographic barriers, distance, parking.
—Potential public group, local government, and congressional reaction to the proposal.
—Demographic information such as minority population, education level, average income.

ACCESSIBILITY

A major concern that SSA must consider in dealing with the SSI population is the accessibility of offices to the public. Special efforts are needed to eliminate or reduce the number of physical barriers that would impede the access of the elderly and disabled/blind. In the past few years, SSA has expended substantial funds and efforts, to the degree feasible and cost effective, to renovate all existing field offices to meet the requirements of the handicapped. In addition, as new offices are opened or existing offices are relocated, SSA requires that the new space meet such requirements.

DISTRICT AND BRANCH OFFICES

There is no distinction between a district and branch office (DO or BO) as far as the public is concerned. Each type of office offers the full range of SSA services. The distinction is strictly administrative.

TELESERVICE CENTERS

Teleservice centers (TSC's) have been established primarily in large metropolitan areas to serve the public more effectively through the use of phones. The TSC's answer general inquiries and handle most post-eligibility events that do not require detailed or complex development.

TSC's do not take or process initial claims. TSC's answer approximately 17 to 18 million phone calls annually. As examples of workloads processed in TSC's, in September 1983 all the TSC's in the nation processed:

—166,020 social security changes of address, death reports or work notices.
—18,808 requests for social security benefit estimates.
—13,837 SSI changes of address, death reports, or reports of changes in income and resources.
—5,986 inquiries concerning the food stamp program.

By processing these and similar workloads via telephone, TSC's save the public a trip to a district or branch office.

RESIDENT STATIONS

Resident stations are "subsidiaries" of a district or branch office. They usually service remote, sparsely populated areas where workloads require a limited SSA presence. Resident stations offer a full

range of service to the public but are dependent on their parent office for systems support.

CONTACT STATIONS

Contact stations are established in remote areas to provide intake service only. Workloads that are initiated at a contact station are processed in the parent district or branch office. Contact stations usually are located in space provided by community organizations, local governments, churches, etc., and are open for specific times on specific dates. Normally field representatives (FR's) and/or claims representatives (CR's) travel to the contact station, serve the public, and return to the DO/BO with any work requiring further action.

FIELD OFFICE STAFF

Although SSA has a variety of facilites to serve the public, the major point of public contact with SSA is in district and branch offices. Appendix B contains a description of the management and staff of a district or branch office. Note that we have outlined the job duties in general terms. Each employee type has additional duties other than those described.

Except for the management positions (DM, ADM, OO), the number and type of employees in an office is related to the office's workload. Small offices may have as few as two or three CR's, while some of the larger metropolitan offices have as many as 50 or more CR's.

SYSTEMS

BACKGROUND

The SSI legislation presented a unique challenge to the Social Security Administration (SSA) because the SSI program had characteristics that were different from those SSA had previously faced. These included:

(1) Lack of a Federal system of any kind for processing SSI claims.

(2) Presence of an early deadline, January 1, 1974, for the issuance of checks.

(3) Special needs of the claimant and recipient groups.

(4) Frequency of changes in the status of the claimant and recipient groups.

(5) Need to transfer millions of existing State and local records; and

(6) The fact that SSI is a joint Federal-State program.[3]

The initial benefit rate effective January 1974 was $130, but this was raised to $140 retroactively in February. This caused an immediate revision to the computations subsystems, and created a large notices workload.

At the same time that the initial SSI computer programs were being developed, there was an effort underway to convert recipients from the rolls of the various States. This was a complex job

[3] Philip J. Rutledge, Report of the SSI Study Group, 1976, p. 190.

because the State conversion data varied widely. Some of it was not in a form readable by a computer (i.e., punch cards, magnetic tape, etc.). Many ad hoc programs had to be written just to put these data into a form suitable for editing. Even then, many of the data were unreadable or were received too late to be processed in time for the initial SSI payment. As a result, many State convertees received incorrect payments in January 1974, or received their first SSI check several weeks late.

SSA thus went into the early months of life under the SSI program with an automated process that was a mere skeleton of what was needed, and one which contained numerous errors.

The systems problems that beset the SSI program during early 1974 were quickly ironed out. The errors in the computer programs were found and corrected, and missing pieces of the process were validated and implemented. By mid-1974, the crisis was over and the situation had stabilized. By 1976, as additional processes were automated, the system became very responsive to its users and the public in general.

OVERALL DESIGN CONCEPTS

It was immediately apparent to the architects of the new system that the old techniques then in use in the title II and title XVIII programs would be inadequate. The new system would have to employ the latest automated data processing concepts of telecommunications and online data bases. Otherwise, there would be no way to establish claims and pay benefits in time to meet the current needs of the typical SSI recipient.

THE SSADARS SYSTEM

The telecommunications system which resulted was called SSADARS (Social Security Administration data acquisition and response system), and consisted of over 2,000 terminals in the field offices with regional concentrators in seven cities (San Francisco, Kansas City, Chicago, Birmingham, New York, Philadelphia, and Baltimore).

As will be discussed later, this has since been considerably upgraded.

The concentrators funnel input messages over high speed lines to the host system in Baltimore. Input data are stored on tape and are entered into the SSI system at a later time. Inquiries are processed against a skeletal master file maintained just for this purpose, and are responded to immediately. Responses are then transmitted back to the field office going through the network the same way the inputs come in but in reverse order.

The SSADARS system was designed to process about 21,000 queries per day. By 1976 the volume was up to 118,000 [4] queries per day, and by 1984 it had grown to over 650.[5]

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[4] Report of the SSI Study Group, 1976, p. 200.
[5] The SSADARS Daily Volume Report, January 1984.

THE MAJOR SSI SUBSYSTEMS

Broadly speaking, the total SSI system called for the development of 22 subsystems which would interact with each other and would collectively represent the entire SSI computer system. These subsystems perform the major tasks of the initial claims process, the posteligibility events process, the benefit computation process, and the payment, control and accounting processes.[6]

On January 1, 1974, when the SSI system first went "live," only 12 of these sybsystems were operational, and they contained numberous errors. This is the reason why the first 6 months of life under the SSI program were extremely hectic, with frequent delays in processing reported changes. However, the subsystems in place were the most vital ones, the bugs were quickly ferreted out, and work proceeded rapidly on bringing up the remaining subsystems. Also, the system provided the following mechanisms to insure that recipients' needs were met:

(1) Emergency advance payments—up to $100 in cash from imprest funds could be advanced to claimants in dire need.

(2) Manual one-time payments—the normal routines could be circumvented by authorizing the Treasury Department to release one-time-only payments immediately. This eliminated the normal 1 to 2 week delay in delivering the first check, and was a way to tide the recipients over until the normal system processes took control.

(3) Force payment—bars and limitations in the automated system could be overridden to "force" it to pay a desired amount.

Following is a brief description of each of the 12 subsystems that were operational on January 1, 1974:

Input edit subsystem.—This subsystem receives data via the telecommunications network from the field offices and edits and formats the incoming data for susequent processing in the initial claims and posteligibility subsystems.

Index subsystem.—This subsystem sets up an intricate indexing system of social security account numbers and claim numbers of all SSI recipients. This subsystem provides great flexibility in detecting duplicate applications and further provides a means of working with eligible couples as one entity within the SSI data base.

MBR/SER interface subsystem.—This subsystem provides for interfacing with, and extracting data from, the two basic social security files—the master beneficiary record (MBR), containing data on every person receiving title II benefits, and the summary earnings record (SER), containing data on every social security account number holder.

Initial claims subsystem.—This subsystem provides for monitoring and perfecting a new SSI application to the point of making the first systems generated payment.

Post entitlement subsystem.—This is basically a data maintenance subsystem which allows changes to be made to any and all data elements contained within the master record. Initially this

[6] SSA, Office of Advanced Systems, Present Process Documentation, OAS publication No. 014, 1977.

subsystem could react only to address changes and death terminations. This subsystem also sets and responds to diaries of various kinds.

Computation subsystem.—This subsystem, considered by many to be the heart of the system, contains the algorithms used in computing the actual SSI payment amount, both Federal and federally administered State mandatory and Optional Supplementations.

Payment subsystem.—This subsystem deals with the actual payment records (check writing file) and provides for transmitting or transporting such records to the regional disbursing centers of the Treasury Department.

Microfiche/audit trail subsystem.—This subsystem provides a permanent microfiche record of each transaction processed in the SSI computer system.

Exception control subsystem.—This subsystem establishes control over records which cannot be paid because of data exceptions, and provides for following up on such records until the outstanding correction is received.

District office communications subsystem.—This provides for sending to the field offices such things as exceptions, completed case for review, followups to exceptions, and so forth.

Notices subsystem.—This subsystem produces and mails award and denial notices to SSI claimants/recipients. The notices subsystem also produces notices of changes and informs recipients of their legal appeal rights.

Accounting subsystem.—This accounts for and balances funds disbursed. It also provides Federal versus State distribution of funds for purposes of billing the States for their share of the total expenditure.

In the approximately 18-month period that followed January 1974, seven more subsystems were developed and implemented on a staggered basis. These subsystems were not absolutely required to be in place on January 1, 1974. Their staggered implementation was planned as part of the initial design. A brief description of these subsystems follows:

Case control subsystem.—This subsystem's various tasks include: tracking title XVI claim folder movement; producing aged case alerts; and providing selected claim status and location data to other control and statistical operations.

Redetermination subsystem.—This subsystem's primary purpose is to verify current and future eligibility for benefits under the SSI program. The subsystem selects cases from the SSI master file, and sends them to the filed offices for contract with the recipient.

Overpayment subsystem.—This subsystem identifies overpayments by comparing benefits due to benefits paid. Overpayment cases are released to the field offices so that the overpaid individual can be contacted, and the overpayment can be collected or waived.

Data base analysis (DABA) subsystem.—This subsystem operates as a utility program to select records or to compile statistics by processing the SSI master file. It is very general in purpose and is driven by parameters.

State data exchange (SDX) subsystem.—The SSI State data exchange subsystem is a comprehensive system for exchanging SSI data with the States.

File search subsystem.—This subsystem provides a mechanism for dealing with only those records which require updating. This results in faster processing time.

Direct deposit subsystem.—This subsystem provides the facility for directing recipients' payments to participating banking institutions.

By mid-1977, the following two subsystems were implemented.

Online edit of district office communications to the central system.—This subsystem edits transmissions submitted by field offices via SSADARS. It performs a "surface" edit on the data, and returns any errors detected immediately.

Interface with other agencies.—This subsystem includes several ongoing interfaces between the SSI master file and the files of other agencies such as the Veterans Administration, the Railroad Retirement Board, and the Office of Personnel Management.

This completed initial implementation of 21 out of 22 subsystems. The only subsystem not implemented is the automated case composition subsystem which provides for the automated changing of a family composition due to death, divorce, etc. Work on this subsystem was deliberately delayed several times in order to permit work on projects which were more significant in terms of providing service to the public. The project is currently underway, however, and will be implemented in fiscal year 1984.

DAILY UPDATES

As previously mentioned, initial claims and posteligibility transmissions are stored for processing at a later time. Only query requests for data from the online, skeletal master file are processed immediately. The stored transactions are then processed in the off hours at night when there is less demand on the host computer. The original plan was to have a daily process which would follow each normal workday (in other words, five daily updates each week). However, computer resources have been such that there have rarely, if ever, been as many as five "daily" updates in any week. The system has actually averaged about three updates per week since inception of the program.

The significance of the number of weekly updates to the filed offices and to the claimants/recipients in general is that there is direct relationship between the frequency of file updates and the speed with which initial claims and posteligibility transactions are processed. In addition, some complex transactions must be accomplished in strict sequence by multiple transmissions, each of which must be processed in separate consecutive updates.

VERSION CONCEPT

From the very beginning, the SSI system has followed the practice of freezing the computer software and of updating it only at regular, scheduled intervals. These periodic updates are called versions.

In the very early days when the system still contained numerous errors, there was a new version about every 2 weeks. By 1975, when things settled down, the version was changed to monthly. In 1981, as the situation stabilized even further, the version schedule was changed to bimonthly. It is likely that the version release schedule will stay at this level indefinitely because bimonthly is proving to be optimum.

The concept of version releases requires some discipline because of the innate desire to modify and improve the software. But it yields big dividends in terms of systems stability and simplifying the process of tracing malfunctions.

Each version of the system is documented, labeled, and a backup is retained. As new versions are implemented, old versions are retired.

EVOLUTIONARY PHASES

The SSI system has gone through several evolutionary phases:

Phase:	*Period*
Implementation of major subsystems	1973–76
Enhancement of major subsystems	1975–81
Implementation of major legislation	1980–84
Systems modernization	1982–

As explained earlier, implementation of the basic subsystems to establish initial claims, to pay recurring benefits, and to process the various posteligibility actions took until about the middle of 1976. At that point, efforts were devoted to refining, updating, and enhancing the subsystems to bring them up to a level above that which met minimal requirements. This phase continued until about 1980 when a series of major legislative changes were mandated.

The following summarizes the most significant of these:

Public Law	Section	Purpose/subject	Effective date
96–265	203	Elimination of parental deeming at age 18	Oct. 1, 1980.
96–265	201 (a) and (b)	Benefits for those recipients engaged in substantial gainful activities despite severe impairments.	Jan. 1, 1981-Dec. 31, 1983.
96–265	302(b)	Provisions relating to exclusions of extraordinary work expenses due to severe disability.	Dec. 1, 1980.
96–265	501	Offset of SSI for retroactive title II payments (sec. 1147).	July 1, 1980.
96–265	504	Sponsor to alien deeming establishment	Oct. 1, 1980.
97–35	2176	Home and community based services (K. Beckett cases).	Aug. 13, 1981.
97–35	2341	SSI eligibility/payment determinations changed to retrospective monthly accounting basis.	Apr. 1, 1982.
97–248	181	Proration of SSI benefits	Oct. 1, 1982.
97–248	183	COLA coordination establishment	Do.
98–21	403	Emergency shelter payment establishment	May 1, 1983.

In 1982, the Commissioner formulated a systems modernization plan to overcome serious deficiencies in SSA's computer systems. The primary thrust of the plan was directed toward the title II system, but the SSI system was a benefactor too. The plan was divided into the following parts: [7]

[7] Systems Modernization Plan, Executive Summary, SSA, 1982, figure 3.1.

(1) Software engineering—a redesigning and rewriting of the archaic protions of SSA's computer software.

(2) Data base integration—an elimination/reduction of SSA's traditional dependence on magnetic tape, and a conversion to disk.

(3) Data communications utility—an upgrading of SSADARS.

(4) Capacity upgrade—a replacement of the obsolete main frame computers with modern machines.

A contract was awarded for the replacement of the obsolete GT&E SSADARS terminals. By March 1983, the last of some 4,500 modern terminals was installed. These terminals are upgradable by the addition of memory units, disk drives, and printers; and they have the ability to operate as powerful, stand-alone computers. This latter ability will be exploited in the coming years.

In early 1984, the mainframe computers are scheduled for replacement by new systems. A comparison of the performance characteristics of the existing versus planned systems is shown below: [8]

	Existing		Planned
	IBM 370/168–1	IBM 370/168–3	IBM 3081–K
MIPS [1]	2.3	2.4	15
Megabytes of Main Memory	8	8	32
Channels	12	12	24

[1] Millions of instructions per second.

The above data pertains to the upgrading of all of SSA's programmatic main frame computers—not just the SSI systems—but it clearly shows the degree of improvement to be expected. The results of this will be that a daily update system; i.e., five updates per week, will become a reality. This will eliminate several days from the average time required to process an SSI initial claim or posteligibility event.

THE SSI MASTER FILE

The SSI master file is known as the supplemental security record (SSR). It is housed on disk and consists of approximately 8 million records, of which about 3.8 million are active accounts. The rest are not in current payment due to such disqualifying events as having excess income, having recently left the country, etc. The size of individual records varies from about 5,000 characters to about 30,000 characters.

Because individual records on the SSR are so large, an innovative technique known as "build and spread" is employed. Under this procedure, records are kept on disk in a highly compressed form by removing all blanks and non-significant zeros from numeric fields. When records are read into the computer's memory for processing they are "built and spread" to their full size again. This technique has kept the size of the SSR and the individual

[8] Systems Modernization Program, Capacity Upgrade Program: Tactical Plan, SSA, September 1983, p. 10.

records on it within the limits of that which can be efficiently manipulated by computers.

Another technique used to facilitate handling the SSR is the periodic removal of inactive records to a separate offline file. The inactive records can be recalled at any time if necessary; but otherwise, they do not have to be housed on the active master file nor processed in daily operations.

The SSR is a dynamic file and must be periodically reorganized to allow for new fields and to expand the area used to store historical data. These periodic reorganizations/expansions of the master file are very traumatic because they require the revision and revalidation of every program that uses the SSR. However, they are a necessary fact of life, and are performed every 1 to 2 years.

In addition to the regular SSI master file, there is a skeletal version which is kept active for the purpose of providing an immediate response to queries from the field offices. The skeletal master file is updated every time the real master is updated.

Training

The SSI program created special challenges for SSA in terms of training field office employees. SSI has undergone frequent major changes in the past 10 years. Changes have resulted from legislation, shifts in ploicy, and court actions impacting operations in various States and nationwide. Also, because client circumstances tend to change from month to month, field offices must contend with workloads marked by constant posteligibility development, intricate systems imput and output, and the frequent need to compute payments and prepare notices manually. Field employees have faced increasing demands to remain knowledgeable, skillful, and flexible in an environment of ongoing program change and increasing workloads and processing goals. Over the past decade, SSA has focused attention on development and maintenance of SSI training courses and training materials. Development of structured courses, better qualified and better prepared instructors, and advanced training techniques have yielded benefits both to SSA and to the general SSI population. We believe the enhancements made in SSI training have contributed to the overall improvements in payment accuracy and timeliness.

For the first 2 years of the program, training was largely unstructured and informal. CR's already knowledgeable in OASDI claims adjudication, were provided with a series of lessons on SSI eligibility rules and claims processing procedures. Beginning in 1975, formalized lesson plans were developed and incorporated into title II CR basic course. The concept of "specialization" was introduced in SSA field offices in 1978, and with it came the need for intensified SSI training. The CR basic course was reformatted to include more SSI material. Newly hired or promoted CR's were given 6 weeks of general training on the OASDI and SSI programs. Following this, SSI CR's received an additional 6 weeks of training on SSI issues.

In 1980, the title XVI CR basic course was developed, essentially separating SSI and OASDI CR training. The course was fully revised in June 1983. It consists of 9 weeks (12 weeks for employees

hired from outside SSA) of full-time classroom instruction on all aspects of CR responsibilities and SSI operations.

Following the basic course, CR's are assigned to DO's or BO's where they undergo an additional 40 to 60 hours of SSI training via the title XVI CR receiving office course. Because of the fluid nature of the program, training does not end with the completion of formalized courses. Legislative, policy, and procedural changes are evaluated to determine the need for field office training. Our objective is to provide employees with easy-to-understand training material as supplements to complex instructional issuances. To this end, all proposed additions and revisions to the program operations manual system (POMS) are analyzed to determine their potential impact on workloads and the need for training material. In 1982 alone, training packages were developed to accompany major POMS instructions on subjects including: retrospective monthly accounting, SSI offset, proration of benefits, in-kind support and maintenance, and resources set aside for burial. In 1983, training packages were provided to help field offices implement complex changes in living arrangement/in-kind support and maintenance policy.

In addition to the advancements in the area of CR and FR training: SSA has, in the past 5 years, stepped up efforts to improve the overall quality of service delivery by means of broadening the communications skills of field office employees. In January 1979, an interviewing training program was mandated for all employees whose jobs required direct public contact. This action came on the heels of the Maldonado report, which stressed the need for greater management attention to interviewing as an important step in the adjudicative process. (SSA's view was—and still is—that the completeness and accuracy of the interview has a direct effect on the timeliness and accuracy of payments as well as the public's perception of the agency.)

During 1978 through 1980, over 21,000 DO/BO employees participated in 2 to 3 day interview skills workshops conducted at special training sites and DO's throughout the country. Lesson plans focused on verbal and nonverbal communications, effective listening, and techniques for opening and closing interviews. The psychology of aging was the topic of one of the sessions and was included to heighten employees' awareness of the particular problems associated with visual and hearing impairments and how the changes experienced as one ages may affect attitudes and interaction with interviewers. Because there was no accurate measurement of performance deficiency (in conducting interviews) prior to the training, it was not possible to assess improvement in any measurable terms. The workshops, however, were received enthusiastically by the vast majority of participants and elicited favorable comments from both trainers and trainees. Post-training evaluations in at least two regions indicated that interviewers themselves felt that they had benefited from the workshops and were employing the techniques learned. Many stated that the training had made them especially conscious of their use of agency jargon, tone of voice, body language, and of the importance of putting claimants/beneficiaries at ease early in the interview.

In 1982, SSA reemphasized its commitment to improved service delivery in the SSI program. A March 1981 report issued by the SSI error reduction workgroup recommended greater management attention to interviewing as a means of reducing payment errors caused by poor recipient reporting. The recommendation led, among other things, to the production of a 28-minute videotape entitled, "Effective Interviewing for SSI." The tape was designed for presentation to new as well as seasoned interviewers and employed mock interviews to demonstrate proper interviewing techniques and those to be avoided. About 800 copies of the videotape were released to district offices (to be shared with branch offices) in mid-1983; field reaction thus far has been favorable, and some offices plan to repeat use of the tape on a yearly basis.

We are continuing to analyze the effectiveness of current SSI training materials and training methods. In the future, we plan to rely more heavily on user-feedback as part of this process. We are also exploring a number of new approaches to SSI training, including use of programmed learning texts and computer-based training. Further advancements in SSI training are expected this year as part of our goal of improving service to the public.

CLAIMS PROCESS

The claims process includes all activities related to processing an application for payments. It includes the application interview, obtaining necessary evidence and documentation, and the adjudication of the claim. While requirements for entitlement differ between titles II and XVI, the claims process as it relates to the claimant is similar. In many situations, claimants file for benefits under both programs at the same time. For ease of discussion, we deal with the claims process in several segments:

Interview

Potential claimants initially contact SSA by phone, mail, or in person. In some cases, friends, relatives or other interested parties will make the initial contact on behalf of the claimant. Depending on the contact, the field office will conduct an interview with the claimant and/or his/her representative through a face-to-face interview in the office, or by phone. Personal contact at the residence is done when for some reason, the phone cannot be used and the claimant cannot make a personal visit to the field office. These situations usually involve severely ill or handicapped individuals or persons residing in institutions such as hospitals or nursing homes. The field office interviewer, usually a CR, assists the claimant in completing the prescribed application form. Because of the length of the application form and the detailed information required, interviews can take several hours to complete.

Proofs

"Proofs" is an internal SSA term used to describe the evidence and documentation required in order to make a determination about eligibility for payments. Section 1631 of the Social Security Act requires SSA to verify relevant facts with information from in-

dependent or collateral sources. The act specifically states that SSA may not have its decisions on claimant allegations.

The basic responsibility for submitting required evidence lies with the claimant. However, because of SSA's experience in obtaining certain types of evidence, SSA often assists the claimant by advising him/her of the easiest way to obtain it. A good example is the need to obtain a birth certificate as proof of age. In such situations, we advise the claimant where to write (the address of the Bureau of Vital Statistics) and about the fee for such a record.

Because of the special circumstances (financial need, old age, illness, etc.) of the SSI population, SSA makes special efforts to assist SSI claimants in obtaining necessary proofs that are not in their possession or readily available. This includes such actions as obtaining a birth certificate on their behalf, thereby saving them the fee and eliminating the burden of having to write for the evidence. Those who are capable of pursuing the needed evidence are required to do so.

Institutionalized Claimants/Recipients

Many SSI claimants, simply because of the nature of the program (old age, disability, blindness) are "institutionalized," i.e., they reside in some form of group living, such as nursing homes, adult homes, or State mental hospitals.

SSA makes special efforts to meet the needs of these individuals. Field offices are required to make arrangements with institutional facilities in their service areas to process initial claims and posteligibility reports that affect the recipient's benefits. Efforts include regularly schedule visits to institutions with large populations to take claims, answer questions, etc. In addition, special arrangements are made with the institutions so that employees can report events affecting a recipient if the recipient is unable to report. These arrangements usually include supplying reporting forms to the institutions and advising the institution of the name and phone number of a designated FO employee who can be contacted to handle any business matters concerning recipients in the institution. SSA also has procedures to accept claims from individuals residing in institutions who will be eligible upon release, when release is expected shortly. The prerelease processing helps reduce delays in receiving the first check and facilitates the claimant's return to the community.

Initial Claims Processing Time

The following table, reproduced from the 1977 Senate Finance Committee staff report displays SSI processing time data for the early years of the program:

SSI PROCESSING TIME: INITIAL APPLICATION TO PAYMENT OR DENIAL [1]

Number of days elapsed	Percent of all claims completed in—				
	September 1974	March 1975	September 1975	March 1976	September 1976
A. All claims:					
0 to 20	12	31	25	15	
21 to 30	9	9	13	11	

SSI PROCESSING TIME: INITIAL APPLICATION TO PAYMENT OR DENIAL [1]—Continued

Number of days elapsed	Percent of all claims completed in—				
	September 1974	March 1975	September 1975	March 1976	September 1976
31 to 60		24	27	34	32
Over 60		55	33	28	42
B. Aged claims:					
0 to 20	18	25	43	51	33
21 to 30	7	14	16	16	16
31 to 60	12	20	22	22	30
Over 60	63	41	18	10	21
C. Blind/disabled:					
0 to 20	13	6	27	18	10
21 to 30	7	7	8	13	10
31 to 60	15	26	28	36	33
Over 60	66	61	37	33	47

[1] Data show the elapsed time from claim to disposition for claims disposed of in certain months. Comparable data concerning the length of time claims have been pending within the administration at any given time are not available.

Following is a table displaying processing time data for fiscal year 1981 through 1983:

SSI FISCAL YEAR PROCESSING TIME: INITIAL APPLICATION TO PAYMENT OR DENIAL

Number of days elapsed	Percent of claims completed in fiscal year—		
	1981	1982	1983
A. Aged:			
0 to 20	77.5	66.9	65.1
21 to 30	11.3	15.7	17.2
31 to 60	9.2	13.9	14.6
over 60	2.0	3.5	3.1
B. Blind/disabled:			
0 to 20	20.9	49.9	2.0
21 to 30	10.4	17.0	16.8
31 to 60	35.5	15.7	13.3
over 60	33.2	17.4	49.9

Emergency Aid and Delays in the Claims Process

The SSI program, unlike the programs it replaced, was not designed to respond to the immediate needs of claimants. The application process, which was patterned after OASDI claims processing, requires, on average, approximately 20 days for aged applications and approximately 69 days for disability applications to be completed. Added to these timeframes is the time needed to release the SSI check from the Treasury disbursing center in Birmingham, Ala., and to deliver it to the recipient. Despite numerous improvements in the claims and payment processes since 1974, the average aged claimant still waits almost 27 days from the application date to receive an SSI check. Disability claimants wait almost 76 days to receive an SSI check, if found eligible. Claims processing delays, whether the result of the claimant's failure to supply needed evi-

dence or SSA's failure to process the claim timely, increase the time required to receive a check.

In 1977, when studying the issue of the responsiveness of the SSI program to the immediate needs of claimants, the Senate Finance Committee staff noted:

> The SSI program does not contain the same flexibility to deal with emergency situations as did the former State welfare programs. While it was recognized by Congress that there would have to be some provision for emergency situations, these were necessarily limited since it was not possible to make the SSI program highly responsive to individual circumstances without seriously undermining its intended manner of operation.[9]

The original SSI legislation and subsequent amendments coupled with a variety of State and local programs, partially fill the gap in responsiveness to indvidual emergency situations.

EMERGENCY ADVANCE PAYMENT

Section 1631(a)(4)(A) of the act permits SSA to make a $100 emergency advance payment to qualified SSI claimants. The emergency advance payment provides funds to an apparently eligible individual and/or spouse earlier than would be possible through the regular administrative claims process and Treasury issuance of a check. The payment can be made only once and is recouped from the first regular monthly SSI check.

SSA operating instructions encourage interviewers to discuss advance payments even when the claimant may be reluctant to request such emergency assistance. Interviewers have considerable discretion in determining the situations requiring an advance payment. The decision to issue an advance payment can be made by the interviewer based upon the alleged, undocumented, circumstances of the otherwise qualified caimant.

In practices, SSA use of advance payment procedures has declined consistently since 1974. The following table summarizes, by dollar amount and fiscal year, the funds issued to SSI claimants under emergency advance payment procedures.

Fiscal year	
1974 [1]	$7,396,741
1975	1,786,676
1976	681,370
1976 [2]	140,145
1977	363,576
1978	185,771
1979	145,963
1980	123,006
1981	96,091
1982	70,450
1983	70,908

[1] Represents January 1974 to June 1974.
[2] Represents July, August, and September 1976 (fiscal year changeover).

The amounts paid out in the form of emergency advanced payments during 1974 cannot be attributed solely to excessive emer-

[9] Staff to the Committee on Finance, The SSI Program, p. 99.

gency needs on the part of claimants. Rather, during the early months of the SSI program, many recipients who were converted from State assistance rolls were not entered properly on SSA's computer system. The emergency advance payment was, in many instances, the only method SSA could utilize to get funds to such individuals.

The steady decline in emergency advance payments since 1974 can be attributed to saturation of the universe of potential claimants, availability of other assistance (such as State interim assistance) prior to applying for SSI, and the overall decline in new claiments. Also, where delays occur in issuing the first SSI payment, SSA field offices have become more adept at using other means to issue a check such as the force payment process which bypasses normal systems payment processes or the manual one-time-payment process. Both of these methods can issue a payment in an amount greater than the $100 which can be issued through emergency advance payment procedures.

PRESUMPTIVE DISABILITY PAYMENTS

The legislation which established the SSI program provided that payments on the basis of disability or blindness may be made for up to 3 months to "presumptively eligible" individuals. When there is a reasonable indication that his or her impairment will meet the definition of disability or blindness, an individual may be paid SSI payments while evidence is being obtained and evaluated to establish disability or blindness. This mechanism assures the individual payments with which to meet living costs during the time the application is being processed. These payments are not considered overpayments and are not recovered in rare cases where the claiment later is found not to be disabled or blind.

Initially, the determination of presumptive disability by SSA was limited to some of the most severe and identifiable impairments (i.e., those most likely to be found disabling) such as (1) amputation of two limbs; (2) amputation of a leg at the hip; or (3) allegations of total deafness. In 1975, six additional categories of impairments were included among those resulting in a finding of presumptive disability. Regardless of the nature of the impairment, payment cannot be made unless the nondisability requirements for SSI eligibility are met. State disability determination services (DDS's) also can find presumptive disability in any case in which medical evidence received during the course of development indicates a "high degree of probability" that the claimant is disabled.

SSA operating instructions regarding presumptive disability determinations permit interviewers to make presumptive disability decisions, with few exceptions, based solely on their observations of the claimant. Once a presumptive disability determination is made, an initial SSI check will be issued in approximately the same length of time required for an SSI aged claim (27 days). In cases of extreme emergency the presumptive disability decision may be coupled with the emergency advance payment procedure, and a one-time $100 payment can be issued immediately.

The following table summarizes the number of presumptive disability decisions made during fiscal years 1974 through 1983, and

the number of such decisions as a percentage of all SSI disability allowances for each fiscal year.

Fiscal year	Field office PD's	State DDS PD's	Total SSI disability allowances	PD's as percent of total
1974	(1)	3,348	(3)	
1975	(1)	117,061	(3)	
1976 [2]	3,293	101,522	(3)	
1977	2,104	81,620	344,976	24
1978	4,142	44,914	286,718	17
1979	5,141	43,484	257,625	18
1980	5,220	36,687	241,018	17
1981	7,060	30,874	212,675	17
1982	5,594	27,148	185,424	18
1983	6,943	33,939	225,453	18

[1] Data not available for fiscal years 1974 and 1975.
[2] Data for fiscal year 1976 represents 66 weeks due to change in fiscal year accounting.
[3] Data not available for fiscal years 1974, 1975, and 1976.

INTERIM AND EMERGENCY ASSISTANCE

In the early days of the program, SSI applicants were frequently enrolled in State-funded general assistance (GA) programs before their applications for SSI were fully processed. These GA payments counted as income and reduced the SSI payment dollar-for-dollar. In order to avoid this financial loss, some States began making loans to SSI applicants, to be repaid with the retroactive SSI payments. This solved the problem of the State payments counting as income, since loans are not income for SSI purposes, but States encountered difficulties in collecting repayments of these loans. Legislation was enacted in August 1974 permitting SSA to send the recipient's first check to the State or local jurisdiction that had provided interim assistance payments to individuals who were awaiting eligibility decisions from SSA. The State deducts the amount of interim assistance paid and returns any remainder to the recipient. As of December 1983, 32 States and the District of Columbia have entered into interim assistance reimbursement agreements with SSA and are providing for the immediate needs of their residents while they are awaiting SSI payments. Some States without interim assistance provide monthly grants to needy individuals, while in other States, the SSI claimant may remain part of a family grant under other assistance programs (e.g., AFDC), or can receive a loan from the State or municipality while awaiting a decision on an SSI claim. Approximately 10 States have no programs providing any form of interim assistance to SSI claimants.

POSTELIGIBILITY

SSI Redeterminations

Once a person is eligible for SSI payments, SSA periodically reviews the nondisability factors used to determine eligibility and payment amount. These reviews are called redeterminations. Redeterminations are required by law and regulations to assure that payments are made only to eligible persons and that the past, cur-

rent, and prospective amounts of SSI payments and SSA administered State supplements are correct. The redetermination can be a face-to-face interview conducted in an SSA office, a telephone interview, or the completion of a mail-out form.

The length of time between redeterminations depends on the likelihood and amount of erroneous payments. Those recipients more likely to be ineligible or significantly overpaid are scheduled for redetermination annually. Less error-prone cases are scheduled for redetermination once every 3 years. Recipients in medicaid institutions and limited to a $25 benefit cap are currently not scheduled for redetemination after their first redetermination.

The first redeterminations were scheduled for 1975, one year after the SSI program went into effect. However, because of the deluge of work associated with converting recipients from State to Federal rolls and of signing up millions of new particpants, SSA was unable to process all redeterminations in a timely fashion until the end of 1977. There are, and have been, approximately 4 million recipients on our rolls since 1975. We processed 2.3 million redeterminations in 1975, 3.5 million in 1976 and finally became current by handling 5.8 million in 1977.

During the early years of the redetermination effort, all recipients were treated alike, each undergoing a lengthy in-depth interview and required to submit substantial documentation of reported events and circumstances. All redeterminations were carried out by technical field personnel usually in the local SSA office. The redetermination procedure was a costly, labor-intensive operation for SSA and a considerable burden on all recipients.

In 1979, SSA took a major step to gain better control over the redetermination process and to lessen the reporting burden on recipients. In that year, a sophisticated method of identifying error-prone recipients was implemented nationwide. Called the error profile concept, the method is based on SSA quality assurance data which indicate that the majority of errors occur in cases with certain recipient characteristics (e.g., income, living arrangements, payment amount, etc.). A computer program developed to evaluate those characteristics was used to break down the selected cases into error strata or profiles. SSA is now able to separate the more error prone recipients from the less error prone and tailor the redetermination development procedures according to the amount of error likely to be received.

At the same time profiles were being developed, the posteligibility operations section (PEOS), was created in Baltimore to process, by means of a brief mail contact with recipients, those redetermination cases which the profiling method had determined to have the least amount of payment error. With the introduction of the mail redetemination process, both the administrative cost of redeterminations and the burden on the recipients redetermined by mail were reduced.

A significant improvement in the profiles was made in 1980. Within the overall category of scheduled redeterminations, previously unredetermined recipients were identified and profiled separately. Quality assurance data showed that a significant number of payment errors (particularly underpayments) occur during the early months of a recipient's eligibility. By identifying and correct-

ing those errors early on, recipients could be better assured of receiving proper payments. This redetermination workload was released to the field offices at certain time throughout the year, cases being selected within 1 to 3 months of intial SSI payment.

The profiles of some other types of cases showed them to have so little payment error that redetermining them annually was not cost-effective. In keeping with the agency's goal of putting the resources where the need is greatest, SSA regulations were changed so that these types of recipients would have redeterminations scheduled triennially instead of annually. The cumulative effect of these and other changes resulted in a 23 percent decrease in the total number of redeterminations required to be completed in 1980. This reduction in the number of redeterminations means that approximately 1 million recipients no longer require a redetermination in any year.

Reports and Notices

One of the major SSI posteligibility workloads that must be processed by SSA field offices is the reports of various events that may affect continuing eligibility or payment amount. Examples of such events are change of address, increase/decrease in other income and admission to or discharge from an institution. SSA categorizes such reports based on the source of the report:

—First-party reports: These are reports made by the recipient or his/her representative payee. SSA will take action based on such reports, following appropriate verification where required.

—Third-party reports: These are reports made by anyone other than the recipient or his/her representative payee. Such reports can come from a variety of sources, such as relatives, friends, neighbors, etc. They can also come from such sources as other government agencies, welfare organizations, institutions, etc. Third-party reports are verified with the recipient in most situations before any action is taken.

In processing either type report, SSA notifies the recipient (or representative payee) if there will be an effect on continuing eligibility or payment amount. Notification is always done in writing, although in most situations the recipient has been advised informally by the field office during the processing of the report.

In the case of changes that will result in an adverse action; i.e., the recipient's payment will be reduced, suspended, or terminated, SSA notifies the recipient in advance of the action and advises the recipient of his/her appeal rights. In addition, the recipient is notified that, if an appeal is filed within a specified time, payment will continue at the previous rate through the first step in the appeals process.

SSA uses a variety of notices, depending on the proposed action. Most notices are systems generated. However, where the system is unable to produce an appropriate notice, the SSA field office prepares the notice.

SSA notices, in addition to advising the recipient in writing of any change in payment or eligibility, state that if the recipient has

any questions he/she can contact the local social security office for information.

INTERFACES

BACKGROUND

The title XVI legislation requires that title II benefits, as well as benefits paid by other Federal agencies, be considered as income in calculating the SSI payment. This fact, coupled with the mandates in sections 1631(e)(1)(B) and 1631(f) of title XVI established the need for the SSI system to be notified when such types of income are received or changed. Moreover, GAO recommendations also highlighted the need for electronic verification and updating of income from independent, collateral sources.[10]

To meet the above requirements, the SSI system was initially designed and subsequently modified to provide for data exchanges (interfaces) between SSA-maintained systems and between the SSI system and systems of other Federal agencies. It also provides data exchanges directly with the 50 States and the District of Columbia.

INTERFACES CURRENTLY IN EFFECT

(a) Title II Benefit/Payment System

(1) Implemented: March 1974.

(2) Obtains title II benefit (entitlement) and payment information:

—To verify and to apply automatically to the supplemental security record (SSR) title II benefit amounts received by SSI-involved individuals, including any changes in the amount.

—To verify the identity of the SSI recipient/applicant, including verification of SSN and title II claim number; and

—To verify other factors affecting SSI entitlement such as death, marriage, family composition, and representative payment.

(3) Frequency: Daily.

(4) Volume: Of the 4 million active SSI recipients, 2.5 million are concurrently receiving title II benefits. The SSI system receives 15,000 transactions weekly from the title II system reflecting accretions, terminations and changes in title II benefits.

(5) Efficiency: Daily exchange of data between the title II and SSI systems supports timely and accurate processing of changes without requiring recipient contact in local field offices. With enactment of retrospective monthly accounting and SSI offset (Public Law 96-265), overpayments as a result of these changes or accretions have been reduced. Absence of this data exchange would result in at least 15,000 additional recipient visits to field offices weekly and could result in annual overpayments in excess of $250 million.

(b) Earning Reference File

(1) Implemented: September 1976.

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[10] GAO, SSI Payment Errors Can Be Reduced, Washington, Nov. 18, 1976.

(2) The earnings reference file contains wage and self-employment income data as well as State, local and private pension information where such pensions are subject to taxation. The SSI System uses the earnings information for comparison with recipient reports of earned income as reflected on the SSR. Discrepancies are alerted to field offices for resolution.

(3) Frequency: Five times yearly.

(4) Volume: About 85,000 alerts are produced for field office investigation each run.

(5) Efficiency/effectiveness: The most recent interface run (which is representative of previous runs) produced alerts which identified discrepancies between employer reports of earnings (on the earnings reference file) and recipient reports of earned income (on the SSR) of $31 million.

(c) Veterans Administration Compensation and Pension Master File

(1) Implemented: September 1976.

(2) Obtains VA benefit payment and entitlement information:

—To verify and to automatically update to the SSR VA pension and compensation payments.

—To identify other factors affecting SSI entitlement such as death, excess resources, representative payment, prisoner status, etc.

(3) Frequency: Five times yearly.

(4) Volume: Approximately 105,000 SSI recipients are concurrently entitled to VA payments. Each run results in the application of VA payment information (accretions, changes) to 16,000 records.

(5) Efficiency/effectiveness: Each run results in automatic SSI payment reductions of $150,000 per month. Interfaces conducted during the VA compensation and pension COLA's eliminate the need for 105,000 additional recipient contacts with field offices and reduce continuing overpayments by timely and accurate recording of income changes. The VA interfaces have avoided cumulative monthly SSI overpayments by $85 million since inception.

(d) Railroad Retirement Board (RRB)

(1) Implemented: January 1977.

(2) Obtains RRB payment and entitlement information during RRB COLA:

—to verify and automatically update to the SSR, RRB payments with COLA's.

—to identify other factors affecting SSI entitlement such as death, cessation of disability, U.S. residence.

(3) Frequency: Once annually at the time of the RRB COLA. Also run at other times when there is an adjustment in RRB benefit rates.

(4) Volume: Approximately 30,000 SSI recipients are concurrently entitled to RRB payments.

(5) Efficiency/effectiveness: Each run results in automatic SSI monthly payment reductions of $30,000. The RRB interface has resulted in cumulative SSI savings of $4 million since inception.

(e) Office of Personnel Management

(1) Implemented: June 1978.

(2) Obtains civil service retirement and survivor annuity payment and entitlement information:

—to verify and to automatically update to the SSR, civil service pensions recieved by SSI individuals.

—to identify other factors affecting SSI entitlement such as death, receipt of other income, marital status, U.S. residence.

(3) Frequency: Twice yearly, at time of COLA and 6 months after COLA.

(4) Volume: Approximately 30,000 SSI recipients are concurrently entitled to civil service pensions.

(5) Efficiency/effectiveness: Each COLA run results in monthly SSI payment reductions of $100,000. Each non-COLA run results in SSI payment reductions of $30,000. Automatic application of COLA reduces recipient contact with field offices and reduces possible continuation of SSI overpayment.

(f) Numerical Identification (SSN Enumeration) System (NUMIDENT File)

(1) Implemented: July 1981.

(2) Data obtained and uses:

—original SSN application and change data (identifying data) verifies the SSN and identity of the SSI recipient/applicant.

—identifies death information.

—verifies U.S. citizenship.

(3) Frequency: daily.

(4) Volume: all SSI claims.

(5) Efficiency/effectiveness: Prior to implementation of this exchange, the SSI system interfaced with the summary earnings record file to verify SSN's. This file was updated only five times yearly and recent identifying information was, therefore, not available. Additionally, corrections to the file as a result of field office investigations of discrepencies could not be made timely.

By using the NUMIDENT file, the SSI System is able to reduce identification discrepencies by over 50 percent. Corrections are facilitated by the increased frequency of runs by the NUMIDENT System. Additionally, the NUMIDENT file contains citizenship information which allows for automatic verfication of U.S. citizenship. The availability of this information reduced by 1,600 claims per week, the need for recipients to secure and submit proof of U.S. citizenship.

(g) Recovery of Overpayments, Accounting, and Reporting System

(1) Implemented: February 1983.

(2) This interface automatically adjusts current title II payments to recover SSI overpayments once the recipient has agreed to this method of recovery.

(3) Frequency: daily.

(4) Volume: As of December 1983, the total monthly amounts of overpayments being recovered was $1,699,052.50 for 56,000 records. Upon completion of conversion activity, the estimated monthly

amounts of overpayments to be recovered is $3 million for 80,000 to 90,000 records.

(5) Efficiency: Prior to the implementation of this interface, individuals overpaid SSI benefits and no longer eligible for SSI benefits were required to make monthly refunds to the local field office. This interface eliminated the need for monthly recipient contact and accurately and timely records the overpayment balance and refunds.

(h) Department of Defense

(1) Implemented: September 1983.

(2) Obtains military retired pay and entitlement information:

—To verify and to alert discrepancies in military retired pay annuities and survivor annuities received by SSI individuals.

—To identify other factors affecting SSI entitlement such as death.

(3) Frequency: once annually, at time of COLA.

(4) Volume: Approximately 2,000 SSI recipients are concurrently entitled to military retired pay.

(5) Efficiency/effectiveness: The first run of this interface identified 700 SSI recipients who failed to report receipt of an increase in military pensions. Over $60,000 in monthly SSI payment reductions were realized and over $500,000 in SSI overpayments were identified.

IMPROVEMENTS AND PROPOSED INTERFACES

SSA has also sought to improve the timeliness and reliability of changes in income (VA, RRB) by establishing daily interfaces with the VA and RRB. Development of these exchanges has been deferred due to SSA's current systems modernization activities.

Efforts are also underway to expand the interface with the earnings reference file to match pension information with the SSR.

Additionally, a feasibility study was conducted jointly by the Department of Labor (DOL) and SSA to determine the degree to which SSI recipients fail to report receipt of benefits paid by DOL. This study identified 300 SSI recipients with concurrent DOL/SSI eligibility. Analysis of the results of the study is underway.

SSA is committed to exploring other types of matching activity, including interfaces with workers' compensation, death records, prisoners and bank records.

STATE DATA EXCHANGE

The State data exchange (SDX) was inaugurated in December 1973, providing all States and the District of Columbia (D.C.) with data related to those persons converted to the SSI rolls as welfare cash recipients as of December 1973 and additionally those persons applying for SSI for January 1974. The SDX was created in response to the required enhancement to Federal-State relationships resulting from SSI.

SDX records are 1,000-position fixed length records generated following each SSI processing cutoff. Files containing record changes are forwarded to the States and D.C. on a weekly basis (except for

six States which receive SDX files immediately following each cutoff via wire transmission). Additionally each State and the District of Columbia receives a monthly payment (Treasury) file delineating SSI check amounts for the subsequent month. An optional SDX file is created quarterly, upon State request, providing the latest record for each applicant within a State. The purpose of the quarterly (reconciliation) file is to allow States to ensure agreement between the SSA master file and individual State master files.

SDX records contain data relevant to SSI eligibility and payment as well as data relevant to eligibility for various social programs not administered by SSA. Based upon written contractual agreement State supplementary eligibility and payments administered by SSA, medicaid eligibility determinations made by SSA, as well as minimal food stamp eligibility information and third-party medical insurance data are included to support State processing.

SDX provides data to the States usually within 1 week of its input by the SSA district office. A posteligiblity change to any SDX data causes generation of an updated SDX record.

Several files and options for files exist and are created as necessary utilizing SDX processes and programing:

503 Leads File

Under the provisions of section 503 of Public Law 94-566 of 1976, medicaid eligibility was extended indefinitely for those recipients who: Are entitled to title II, were entitled to title XVI prior to a title II cost-of-living increase, and would still be eligible for title XVI if the amount of the title II cost-of-living increase were deducted from their income.

To assist the States in enactment of this provision, special files are produced annually immediately following the title II cost-of-living increase. The first 503 files were produced in July 1977. The 503 files provide the States with leads on potential cases of extended medicaid eligibility. It remains a State responsibility to investigate the leads.

Boarding Home Listings

Section 1616(e) of the Social Security Act requires that the States monitor and enforce existing regulations governing the existence of unlicensed boarding homes and additionally requires that HHS provide aid in this endeavor. Pursuant to this requirement, analysis and programing effort were employed to create a three-part listing, available to the States upon request, of all addresses within a State where three or more title XVI checks are sent to unrelated recipients (relationship is assumed based on surname). The listing provided consists of a master listing detailing specific names and addresses; an index by address; and a graphic representation of numbers of recipients by address.

The initial boarding home listings were created in December 1979. Based upon comments received from the initial users, two versions of the listing were made available tailoring listings to State demographics.

Indian Listings

Based upon contractual agreements between the Federal Government and several Indian tribal councils, which permit the tribal councils to administer a type of supplementation similar to that provided by the States, SSA has provided listings of tribal members receiving SSI to the tribal councils.

Additional Services

To provide additional service to the States, provision has been made for two types of State input to the SDX:

(1) Queries may be made by the States to determine the current status of records that the State feels are questionable or have had little or no action over an extensive period of time.

(2) A special 22-position field exists on the SSR and on SDX solely for State usage. The purpose of the field is for State individual identifiers or any specific information the State wishes to receive as a part of the SDX record.

Both forms of State input are processed and responded to by the SDX program, usually within 1 week.

SDX Enhancement

A concerted effort was begun in December 1982 to address sugestions and comments expressed by various States and SSA regional personnel as methods of enhancement of SDX files to provide improved service to the States and subsequently to the SSI recipient.

A team was assembled consisting of SSA central and regional office personnel as well as personnel from several States.

The team met in several cities across the United States during July 1983 to specifically identify user needs and areas of concern. During this time, representatives of 29 States, the Health Care Financing Administration, and local SSA district offices provided suggestions and comments to team members. Among the requests received were: Improved documentation, expanded data, optional record sizes (dependent on data required by a State), and improved delivery of SDX files.

Following extensive analysis and consideration, SSA began work to address and to comply, where possible, with the user requests. The SDX improvement project is currently underway with completion tentatively scheduled for early 1985.

COMPUTATIONS

The original SSI legislation required SSA to compute benefit payment amounts on a prospective, quarterly basis. From January 1974 through March 1982, payment amounts were based on the recipient's anticipated income and living arrangements during each future quarter of eligibility. The developers of the quarterly prospective computation for the SSI program thought that such a computation would minimize changes in monthly benefit payments caused by income variations. Also, as discussed in the 1977 Senate Finance Committee staff report:

> The adoption of a quarterly accounting period in the original SSI legislation was apparently based on the fact that the Social Security Administration receives quarterly reports of all wages in employment covered by social security. Thus, the use of a quarterly accounting period for SSI could simplify the use of social security wage records to verify an SSI beneficiary's reported income from wages.[11]

In practice, changes in monthly benefit payments were not minimized by the quarterly computation. Overpayments and underpayments occurred often due to recipients' frequent changes in income or living arragements, especially when changes could not be predicted before the start of a quarter. The quarterly computation also was difficult to administer from the viewpoint of the recipient. Often, when reporting a change in income or living arrangement which would affect their payment, recipients believed that their only obligation was to report the change. However, since changes of this type usually caused a decrease in payment amount, and usually occurred too late in a quarter to provide due process rights and have the computer system adjust the check amount, an overpayment occurred. When notified of the overpayment and asked to repay, recipients on occasion expressed feelings that they were being penalized despite having fulfilled their reporting requirements.

The quarterly computation became a topic for consideration for many oversight groups reviewing the SSI program. Most notably, the SSI study group report (i.e., Rutledge report) of January 1976 and the Senate Finance Committee staff report in April 1977 both recommended changing the SSI computational period from quarterly to monthly and further recommended consideration of retrospective, rather than prospective, monthly accounting. The General Accounting Office (GAO), in a report to the Senate Finance Committee dated May 26, 1978, also supported legislation to institute retrospective monthly accounting (RMA) for SSI.

Public Law 97-35, which was enacted August 13, 1981, changed the method of computing SSI payments from quarterly and prospective to monthly and retrospective. The computational change became effective April 1, 1982. Under the RMA computation, a recipient's payment amount usually is based on the income and living arrangements which existed 2 months prior to the payment month being computed. Some exceptions to this computation exist to address situations involving new applications or reinstatements following a period of ineligibility. Also, beginning January 1984 as required by Public Law 97-248, the retrospective computation is not used for title II income for the first 2 months in which a cost-of-living increase is received in the title II benefit. The increased title II benefit is used to compute the SSI payment for the same month as the effective month of the increase.

From the SSI recipients' viewpoint, changing to RMA should reduce the incidence of overpayment caused by changes in income or living arrangements which affect payment amount. If the recipient reports changes of this type on time, the SSI computer system

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[11] Staff to the Committee on Finance, the SSI Program, p. 80.

can compute correctly the new payment amount before any overpayment occurs.

Underpayments and Overpayments

Section 1631(b)(1) of the Social Security Act states that:

> Whenever the Secretary finds that more or less than the correct amount of benefits has been paid with respect to any individual, proper adjustment or recovery shall * * * be made by appropriate adjustments in future payments to such individuals or by recovery from or payment to such individual. * * *

Thus, when creating the SSI program, it was recognized that overpayments and underpayments were going to be part of any cash assistance program which computed benefits based on changeable information provided by the recipients of the payments. Improvements in claims taking and documentation procedures, quality assurance techniques, redeterminations of eligibility, and legislative improvements have contributed reducing the error rate. This discussion will focus only on SSA's processing of overpayments and underpayments, and will not discuss major causes of incorrect payment or frequency of occurrence.

UNDERPAYMENTS

An SSI underpayment occurs when less than the correct amount is paid for a month or months in which the recipient met all eligibility requirements. Underpayments in small amounts are released to the recipient automatically when calculated by the SSI computer system. When it became apparent that the amount of an underpayment was frequently large, SSA modified the computer system and procedures for controlling underpayments. This was done because several studies, including one by GAO, showed that a high degree of error was present in large underpayment cases. The computer system was changed to prevent the automatic release of an underpayment of $1,000 or more and special input criteria were established for releasing such underpayments. Field offices were required to review the circumstances and amount of underpayments to assure their accuracy before permitting the computer system to release the underpayment. For underpayments of $2,000 or more, SSA created a special staff in Baltimore to review the facts resulting in such large underpayments and prevented, through the computer system, field offices from releasing to recipients any underpayment greater than $2,000. Underpayments greater than $2,000 only can be released to a recipient based on systems input which must be completed from headquarters. Statistics have shown that use of the special staff to review underpayments greater than $2,000 is cost-effective and has prevented releasing millions of dollars in erroneous underpayments.

OVERPAYMENTS

An overpayment occurs when more than the correct amount of SSI is paid for a period. The existence of an overpayment is detected by the SSI computer system when recalculating the payments

made on individual computer records. Although recalculation occurs normally as a result of various computer processes, it also occurs when information is reported by the recipient and input to the computer system from an SSA field office. Generally, changes are reported by recipients during redetermination interviews and the changes often are reported after the fact, resulting in overpayments. Prior to RMA, overpayments occurred even if the events were reported timely.

Once an overpayment occurs, the computer system sends an electronically transmitted message to the field office requiring the field office to take appropriate action. The field office issues to the recipient a manually prepared overpayment notice stating the cause and amount of overpayment. The notice also proposes SSA's method of recovery and discusses the right to appeal or request waiver of repayment of the overpayment. Prior to January 1982, SSI overpayment notices to recipients who remained eligible for payment proposed recovery by adjustment of future payments. Beginning January 1982, all SSI overpayment notices to recipients who continue in payment status request full refund of the overpayment and propose, in lieu of full refund, full withholding of the SSI payment to recover the overpayment. The recipient may request, at any time, that less than the full SSI payment be withheld to repay the overpayment.

SSA has enhanced its computer system to control overpayments more carefully and require more field office input to resolve an overpayment. For example, the diary system mentioned earlier keeps alerting a field office to the existence of an overpayment and the diary cannot be removed until the overpayment is resolved, preventing accumulation of a backlog of overpayments. The computer system also has been improved to record more specific information about how an overpayment was resolved. Field offices can now update the master record to indicate that an overpayment was referred to another government agency for collection or that the field office intentionally suspended collection activity. Further improvements are planned for resolving overpayments such as computer generated overpayment notices for SSI, which will save considerable field office processing time, and an automated system to bill and follow up on overpayments which are being repaid in installments. These improvements, while not preventing overpayments, will assure that the overpayment is resolved quickly, with the minimum amount of administrative expense, and with consideration of the rights and circumstances of the overpaid SSI recipient.

The SSI Payment System

The development of the SSI payment system required close cooperation with the Bureau of Government Financial Operations (BGFO) within the Department of the Treasury. SSA officials began meeting with BGFO officials shortly after passage of the SSI legislation. A joint SSA/Treasury work group was organized and an overall project control outline developed for implementation of the SSI payment programs. Regular weekly meetings were held to discuss the various aspects of SSA/Treasury operation and how

they would interact to successfully administer the SSI payment systems.

As a result of early staff meetings, SSA and Treasury officials decided that written agreements were the preferred method to develop and document procedures and systems requirements needed by each organization. This would insure that there was no misunderstanding in how SSA and Treasury should interact. The developed SSI payment system can be broken down into seven parts; payments issuance, direct deposit, returned checks, outstanding checks, nonreceipt process, double negotiation overpayments, and the reclamation process. All these activities are interrelated within the SSI system and Treasury's payment activities.

SSI PAYMENT ISSUANCE

SSA currently pays, from general revenues, $7.8 billion in Federal SSI benefits annually to 4 million recipients. In addition, SSA administers supplemental payments totaling $1.7 billion for 27 States. SSI payments are produced by the United States Treasury Department out of six regional disbursing centers (Austin, Birmingham, Chicago, Kansas City, Philadelphia, and San Francisco). SSA provides Treasury with a new SSI master payment file during the third week of the month preceding the payment month. Treasury produces payments on unique check stock (gold colored) to distinguish SSI checks from all other Federal payments and releases these checks to the U.S. Postal Service 2 days before the scheduled delivery date; i.e., usually the first of each month. Treasury also prepares the appropriate computer tapes for use by the Federal Reserve Banks in those instances where the SSI recipient is participating in the direct deposit program (450,000 recipients as of December 1983).

As SSI checks are cashed by recipients, data regarding the negotiation are fed back through the banking system to Treasury's facility in Washington, D.C., for use in any subsequent nonreceipt claims. This process can take from one to several weeks. Checks which are undeliverable or are otherwise returned are directed to the Birmingham regional disbursing center which, in turn, alerts SSA.

The payment issuance process developed by SSA and Treasury was agreed to and documented in agreements. Both organizations use an automated process to insure proper controls and expeditious issuance of payments. The use of central point accounting within SSA and Treasury helps in all phases of the payment system.

At the beginning of the SSI program in January 1974, all daily payments (initial, underpayment, and supplemental) were processed by the SSI system and a magnetic tape was transmitted via Digitronics equipment to the SSA/Great Lakes program service center for hand delivery to the Chicago disbursing center. It should be noted that there was a significant volume (approximately 31,000 per month) of manual one-time payments (OTP's) produced in the early part of 1974 due to the need to pay cases not in the SSI system or which the automated system could not handle. SSA continues to maintain the capability to issue manual OTP's for critical cases, but the volume is only 20 to 30 cases per month.

With an upgrading of transmission equipment in the Treasury Birmingham disbursing center, SSA began transmitting all daily payments directly to the Birmingham office in August 1977.

Monthly recurring payments for the SSI program are processed by the following Treasury Disbursing Centers: Austin, Birmingham, Chicago, Denver,[12] Kansas City, Philadelphia, and San Francisco. The Birmingham disbursing center has total program accountability and is the central contact for SSA concerning all accounting matters dealing with check issuance.[12]

The SSI system splits the recurring payment files for each participating disbursing center. The tapes are in social security account number sequence within ZIP code sequence and are fragmented as follows:

Beginning ZIP code(s):	*Disbursing center*
0–1	Philadelphia.
2–3	Birmingham.
4–5	Chicago.
6	Kansas City.
7	Austin.
8	Denver.[1]
9	San Francisco.

[1] Beginning with the January 1984 recurring file, the Denver office is no longer handling SSI payments. The file is now sent to the San Francisco office.

A further breakdown of files within each disbursing center's file is made by SSA based upon the entire ZIP code. Also, all direct deposit payments are in bank routing number sequence after the ZIP code breakdown. This additional breakdown facilitates processing a portion of the file when problems are encountered with tapes, creation of electronic funds transfer (EFT) payment file for the Federal Reserve System, and allows SSA/Treasury to save money on postage rates since all the checks are created in strict ZIP code sequence for delivery by the postal service.

SSA/Treasury original plans were to have master files in each of the participation disbursing centers and for SSA to submit transaction files to update prior to Treasury's payment issuance. However, due to the size of the files (estimated volume of 6 to 7 million payments was not realized) and systems considerations, it has been easier to send each disbursing center a complete file each month.

The payment files are shipped to the various cities via the postal services "Express Mail." The SSA/Treasury agreements outline the basic processing schedule needed for each organization in order to effect a timely receipt of the check by the recipient.

DIRECT DEPOSIT

SSA and the Treasury Department signed an agreement in early 1974 to implement a direct deposit program for social security and supplemental security income claimants. There were three phases. The first phase involved converting the SSI recipients' records to correctly show bank routing data plus signing up new recipients.

[12] Beginning with the January 1984 recurring file, the Denver office is no longer handling SSI payments. The file is now sent to the San Francisco office.

The first direct deposit payments were issued in September 1975. During this first month, there were only 50 direct deposit payments.

The second phase involved creation of two addresses for the recipients' SSI records, one containing his residence and the other bank routing data.

The third phase was the actual delivery of electronic funds transfer (EFT) payments in February 1976. The volume of direct deposit payments at that time was 64,421. The current volume of direct deposit payments in December 1983 was 450,000 or approximately 11 percent of the total SSI payment file.

The direct deposit system with EFT payments offers a number of advantages to both the government and the recipient, including convenience, elimination of check cashing problems, and the reduction of check loss or theft, as well as savings for postage.

RETURNED CHECK PROCESS

A check may be returned from the recipient through an SSA district office (DO) or by mailing it to the Treasury Birmingham Regional disbursing center (RDC), or the postal service may return undeliverable checks to the RDC.

Since all SSI checks bear a Birmingham RDC dateline and are mailed in envelopes with a Birmingham RDC return address, routing to the proper address is not a problem.

An efficient and effective returned check operation impacts significantly on SSA's ability to respond rapidly to nonreceipt of check allegations. The use of one RDC and one SSA program service center for all SSI returned check processing improved the control and expedited handling of the checks.

Checks returned through the DO are coded with the reason for return and the date of the event. The DO also undertakes any eligibility development at that time. The SSI returned check system was designed to accept the transmission of returned check data and act on it to adjust, suspend or terminate as appropriate. This allows fast resolution of SSI return checks in view of the financial need of the recipient.

Checks returned directly to the Birmingham RDC are coded with the reason for return, and the date of the event by RDC personnel. The returned checks were taped daily and delivered to the SSA/Southeastern PSC for transmission to SSA's central office in Baltimore. This arrangement was changed March 1978 when the Birmingham RDC began transmitting directly to SSA's central office. This improved security control over the tapes and provided faster update of the SSI records.

The magnetic tape of SSI returned check data is entered into the SSI computer system. The SSI returned check program posts the returned check to the supplemental security record (SSR), generate a new payment if the reason for return has been corrected, or will alert the DO that development is required. A system diary control is used to ensure that all development is completed and proper action initiated. The diary control is cleared by a positive action input from the DO indicating new eligibility factors or that the check was returned in error.

The volume of returned checks during the first year of the SSI program was quite high and extraordinary steps were taken by SSA and Treasury to handle the returned checks in conjunction with the nonreceipt procedure. For example, from January 1974 through June 1974, checks returned for "address" reasons were held in the Birmingham RDC and compared against each manual nonreceipt claim. If the recipient's missing check was being held, it was remailed to the correct address. There were 63,403 SSI checks remailed. During the same period, 441,834 checks were canceled and credited back to SSA. The total number of SSI checks cancelled during calendar year 1974 was 912,387 while during calendar year 1983, only 409,193 checks were returned and cancelled. The number of returned checks has dropped due to improved systems processing of past eligibility event, enabling accurate and timely delivery of payments.

OUTSTANDING SSI CHECKS

From the beginning of the SSI program, SSA was concerned about what would happen to unnegotiated SSI checks. The various States had a "limited negotiability" on their checks which alerted them to situations where recipient's did not cash their check. However, with Federal Government checks there is "unlimited negotiability." SSA wanted information and credit for unnegotiated checks for two purposes. First, to obtain intelligence on possible nonentitlement situations and second, to credit State moneys back where State supplemental moneys were included in the payments.

The General Accounting Office (GAO) reported to Congress in a report, "Action Needed to Resolve Problem of Outstanding Supplemental Security Income Checks," HRD–81–58, dated March 3, 1981, that there were over 300,000 SSI checks representing some $41 million outstanding. They recommended that SSA and Treasury work together to identify and resolve SSI unnegotiated checks.

The Congress passed and the President signed Public Law 97–35 which contained a provision for Treasury to identify and credit to SSA all SSI checks which are still unnegotiated 180 days after issuance. The effective date of the provision was October 1, 1982.

SSA currently receives a magnetic tape of unnegotiated SSI checks each month from the Treasury Department. These unnegotiated checks are posted to the recipient's SSI record and if he/she is still in payment status, an alert is sent to the DO servicing the recipient's address. The system also credits any State moneys represented in the check to the original State via monthly accounting exchanges.

The DO investigates the recipient's continuing eligibilty and reports the facts to the SSI record. For example, if this is a nonreceipt situation which has not been reported to the Treasury Department the check is repaid.

If the missing check is subsequently presented to the Treasury Department, SSA receives a debit charge which is posted to the recipient's SSI record and investigated for a possible overpayment (only if the check had been repaid or credited against an earlier overpayment).

NONRECEIPT PROCESS

For the first 7 months and 11 days of the SSI program, the check replacement process (nonreceipt of check claims) entailed manual processes. The SSA district offices would forward a signed nonreceipt claim to the Treasury disbursing center in Birmingham, Ala. Treasury would check a national file of all SSI checks issued to verify issuance and ensure that the check had not been returned to them. Subsequently, the nonreceipt claims and original check information would be forwarded to the Treasury Check Claims Division in Washington, D.C., to check their file of all negotiated SSI checks. If the original check had not been negotiated, a substitute check would be issued. The following is a count of the actual number of nonreceipt claims received by the Treasury Department during the first 7 months of the program:

January 1974	60,693
February 1974	43,809
March 1974	31,110
April 1974	30,221
May 1974	30,065
June 1974	28,292
July 1974	32,471

In addition to the nonreceipt process, checks returned to Treasury for address reasons were held in Birmingham. When a nonreceipt claim matched one of these returned checks, a gummed label containing the new address was used to remail the original check. The number of checks redirected during the first 6 months was as follows:

January	9,105
February	8,714
March	9,933
April	8,615
May	8,211
June	3,432

The entire check replacement process took about 3 to 4 weeks and was not considered timely enough to satisfy the needs of the SSI recipients. A new process was developed and implemented on August 12, 1974.

The new nonreceipt process was an automated one which provided a replacement check in the hands of the recipient within 12 days. This process employed the use of a wire transmission from the SSA district office to the central computer system. There the information from the original payment record was added to the nonreceipt claim and formatted into a tape which was used by Treasury to search their check issued file to get the original check information and ensure that the original check had not been returned. At this point, the replacement check was issued to the recipient. After the check was sent to the recipient, Treasury further checked their files to ascertain if the original check had been negotiated. In all cases where both the original and replacement check had been cashed, SSA was notified and the appropriate overpayment recovery action instituted.

However, based upon a series of nonreceipt studies during 1975 by SSA regional offices and a national study, plus interest displayed by a number of welfare rights groups, various States and

the Congress, SSA determined that the SSA/Treasury nonreceipt system was still not responsive enough. On April 16, 1977, the current SSI nonreceipt system was implemented. The following is a description of the nonreceipt process.

The SSI checks are delivered on or about the first of the month. The nonreceipt procedure starts by the beneficiary contacting the district office (DO). If it is prior to the third mail delivery day after the check date, the beneficiary is told to contact the office again. The DO will verify from the SSI data base by means of a query that a check was issued, and once verified, the DO will then electronically key in the nonreceipt allegation.

The electronic nonreceipt allegation is directed to SSA's central computer in Baltimore where, each night, the nonreceipt traffic is specially prepared for transmission directly to the Treasury Department regional disbursing center in Birmingham, Ala. This disbursing center maintains Treasury's master records pertaining to all SSI issuances. Nonreceipt transmissions are sent to Birmingham each night before 1 a.m. Once received at the disbursing center, Treasury reviews the claim by screening it against the "checks issued" file and the "checks returned" file. For current month nonreceipt allegations, if Treasury finds a check was issued and has not been returned, a substitute check will be immediately issued. Substitute checks will be mailed by 8 a.m. of the morning following the DO transmission. The nonreceipt tapes are then passed to the Treasury Department facility in Washington, D.C. (Division of Check Claims) where an after run search is made to determine if the original check was negotiated. The Treasury Department places a "flag" in its records to intercept any double negotiation situations. If a double negotiation does occur, Treasury retrieves the original and substitute checks to examine the endorsement signatures. If the signatures appear to be similar, SSA is immediately charged for the disbursement of excess funds. If the endorsement signatures are dissimilar, the case may be referred to the U.S. Secret Service for investigation.

The previously described nonreceipt process is the fastest check replacement operation in the Federal Government. This procedure can replace a missing SSI check in 3 to 4 days from the date of DO input including mail time. Of course, expeditious replacement does carry with it certain risks. Because there is not sufficient time for Treasury to know if an original check has been cashed (this information is often not available for 3 weeks even when the check is cashed promptly), double payments may occur. To obtain the expedited replacement process, SSA agreed to have Treasury debit us with any such double payments and SSA would be responsible for collecting the overpayment.

Related Facts

Through the use of the SSADARS online data base, DO's are able to screen out approximately 50 percent (10,000 to 15,000) erroneous allegations of nonreceipt each month. The following are the number of nonreceipt claims transmitted to Treasury each month.

SSI NONRECEIPT CLAIMS

[By fiscal year]

1977		1978		1979		1980	
Date	Amount	Date	Amount	Date	Amount	Date	Amount
October 1976	11,530	October 1977	14,491	October 1978	15,189	October 1979	13,182
November 1976	11,853	November1977	13,944	November 1978	12,694	November 1979	10,384
December 1976	10,531	December 1977	16,025	December 1978	12,945	December 1979	12,110
January 1977	13,939	January 1978	13,164	January 1979	15,354	January 1980	14,010
February 1977	10,298	February 1978	11,407	February 1979	10,785	February 1980	11,042
March 1977	10,647	March 1978	13,376	March 1979	11,706	March 1980	12,136
April 1977	10,631	April 1978	12,794	April 1979	11,294	April 1980	11,439
May 1977	12,885	May 1978	12,924	May 1979	14,010	May 1980	11,047
June 1977	12,509	June 1978	12,807	June 1979	11,096	June 1980	12,664
July 1977	13,389	July 1978	14,652	July 1979	13,593	July 1980	12,007
August 1977	15,057	August 1978	14,467	August 1979	13,314	August 1980	12,111
September 1977	13,446	September 1978	13,187	September 1979	12,960	September 1980	12,644
Total	146,715		163,238		154,940		144,781

For the nonreceipt claims transmitted to Treasury, approximately 6,000 substitute checks are issued each month.

DOUBLE NEGOTIATION OVERPAYMENT (CHARGEBACKS)

When the SSI nonreceipt procedure was established with the Treasury Department, SSA agreed to accept an immediate double payment chargeback from Treasury whenever a substitute check and an original check were negotiated and the endorsement signatures appear to be the same. At the beginning of the SSI program, approximately 2,100 such chargebacks were made each month. This number has been reduced to approximately 1,300 per month. Once alerted to the overpayment, SSA annotates the individual's record with a unique code and sends an alert to the servicing district office for development of the overpayment.

Actions Taken if Misuse of the Nonreceipt Process is Detected

SSA takes certain actions if it is detected that a recipient has negotiated an original check and substitute check. These include:

(1) Posting the resulting double payment to the individual's systems record (SSI). This alerts the DO interviewer in any subsequent nonreceipt allegation.

(2) If multiple double payments resulting from the nonreceipt process are detected, the DO is instructed to refer the case to the appropriate DHHS, Office of Inspector General component for fraud development.

(3) Once a double payment is posted to an individual's record, an overpayment alert to the DO is generated and recovery action is scheduled.

(4) Other payment delivery methods, such as direct deposit, are discussed with the recipient.

(5) If based on prior experience the DO suspects that the recipient is misusing the expedited nonreceipt process and additional nonreceipt claims are filed, the nonreceipt system activates a special code which signals Treasury to handle the non-

receipt claims as a regular nonreceipt case (i.e., no immediate issuance of a substitute check until the "negotiated" check file has been searched).

Reclamation process

Whenever there is a payment made to an SSI recipient for which he/she is not entitled (i.e., excess income, living arrangement, or termination events such as death), an erroneous payment or overpayment is established. For cases where there is an overpayment and the recipient alleges nonreceipt, or in cases where the recipient is deceased or legally incapacitated, a reclamation action is processed by SSA to Treasury. This action is almost identical to the nonreceipt process except that the credit for the payment is returned to SSA if the claimant did not negotiate or receive the proceeds of the check.

From the beginning of the program until May 1982, this was a manual process. The SSA regional offices prepared a form SF-1184 (Unavailable Check Cancellation) based upon an investigation by the SSA DO. The form SF-1184 was processed through the Treasury Birmingham regional disbursing center by verifying that a check was paid and not returned. They provided complete check description (check symbol, serial number, date, and amount) to the Treasury Division of Check Claims (DCC). The Treasury, DCC verified whether the payment was negotiated, and if not, credit for the outstanding check was transferred to SSA. If the check was paid, they investigated the possibility of forgery. If confirmed, the presented financial organization was requested to return the money to Treasury for SSA's credit. If the recipient was alive, the SSA DO usually helped interview the recipient regarding the check.

This process is significantly different if electronic funds transfer (EFT) payments are involved. The request for Treasury investigation is the same, however, the Treasury Birmingham disbursing center (for all SSI payments) after verifying an EFT payment and the fact that it has not been returned contacts the financial organization. It should be noted that EFT reclamations are only processed on cases where the recipient is deceased or declared legally incompetent.

This manual process worked fairly well except for some cases where photocopies of the checks could not be obtained or were illegible. Also, some financial organizations failed to cooperate fully in returning monies to Treasury for forgeries. This has improved since the Treasury now has authority to charge interest (since May 1981) on financial organizations failing to cooperate and offset (since early 1980) against monies due the financial organization, if necessary. The Treasury DCC also improved quality control over photocopies and the identification and control of negotiated check microfilms.

SSA and Treasury negotiated and developed an automated reclamation system in late 1981 which was implemented in May 1982. This process allows transmission of the SF-1184 actions through the SSI system and the valid reclamations are included on the daily SSI nonreceipt tape transmitted to Treasury's Birmingham disbursing center each evening. The average processing time for

reclamations was reduced by apporoximately 2 weeks. The automation of claims also provides better control over reclamation actions by Treasury and SSA.

Recent congressional hearings have highlighted problems with SSA's notification procedures regarding recovery of erroneous payments. We are concerned with correcting any problems and are participating in an effort, led by Treasury, to see if there are ways to notify possible co-owners of accounts into which recurring Federal benefit payments have been made before an erroneous payment is recovered. We are working closely with Treasury to address this issue.

ADMINISTRATIVE COMPLEXITIES

Deeming

Sections 1614(f)(1) and (2) of the Social Security Act require that the income and resources of spouses and parents who are not eligible for SSI be considered to be the income and resources of their spouses and children who may be eligible for SSI and who live in the same household. The statute requires deeming such income and resources except to the extent determined by the Secretary to be inequitable under the circumstances. Accordingly, the Secretary may determine amounts and types of income and resources to be excluded before the balance is deemed. The deemed income and resources are added to those the spouse or child already has, and the total is subject to the limits and exclusions the statute provides.

Present parental, essential person, and sponsor income deeming rules result in an amount of deemed income to be combined with the claimant's/recipient's other unearned income in determining that person's countable income. Spousal income deeming rules, however, resemble eligibility and payment computations for an SSI eligible couple in that the couple's income and exclusions are combined, but allocations for ineligible children and additional income exclusions apply.

The rationale for the difference between spousal and other types of income deeming computations is that, in conceptualizing spouse-to-spouse deeming as following the treatment of an eligible couple (to the greatest extent possible), deeming policy adheres to a basic SSI goal that persons in similar circumstances be treated in the same way. The goal is tempered, however, by still another rule—that an SSI benefit cannot be higher under deeming rules than it would be if deeming did not apply. Spousal income deeming thus requires a comparison to determine and pay the lower of two possible benefits that would be paid to an individual, as though he were: (1) an unmarried individual; or (2) a member of an SSI couple with both members filing.

Several consideration have shaped spousal and parental income deeming policy: Secretarial determinations of when it is inequitable to deem; to the extent that an individual is not advantaged by deeming, equal treatment for deeming couples and SSI eligible couples; and setting of realistic levels at which spousal or parental income precludes SSI eligibility. Those principles are the basis for the multiple and complex income deeming rules now in effect that

have produced some anomalous results. Because of the Secretary's discretion, current deeming policy attempts to mitigate some provisions that the statute mandates for SSI eligible individuals, and applies others. The complexities in our deeming formulas are designed to address those not-always-harmonizing considerations.

Section 405 of Public Law 96-285 added a new kind of deeming: Effective October 1, 1980, the income and resources of sponsors of aliens are considered to be those of aliens they sponsor. A sponsor is an individual who has signed an affidavit agreeing to support an alein as a condition of the alien's admission for permanent residence in the United States. Under the new law, the Department of Justice and State will inform sponsors that information they supply will be given to SSA and that they may be asked for additional information if the aliens apply for SSI payments.

There are some exceptions. Under the terms of the statute we do not deem a sponsor's income and resources to aliens who have been admitted as refugees under certain provisions of the Immigration and Naturalization Act or to aliens who have been granted political asylum by the Attorney General of the United States. Nor do we deem to aliens of any age beginning with the time they meet the statutory definition of blindness or disability, if this occurs after their admission to the United States. Deeming stops if it applied before the blindness or disability begins.

A sponsor's income and resources are deemed to aliens who first apply for SSI benefits after September 30, 1980, and are deemed to aliens for 3 years after their admission to the United States.

CURRENT DEEMING WORKLOAD

300,000 to 350,000 SSI cases require deeming computations once or more during a year, even though actual deeming (that is, deeming which reduces the benefit) occurs in only about 54,000 spouse-to-spouse cases, and 17,000 parent-to-child cases, which total 71,000 deeming cases.

72 percent of spousal and parental income deeming cases are automated.

91 percent of all spousal income deeming cases are automated. (A CR only has to enter income data.)

25 percent of all parental income deeming cases are automated. (A CR does not have to do any deeming computation. For the remaining 75 percent, an online computation program is available to assist with the manual computation.)

There are about 15,000 sponsor-to-alien deeming cases per year; a further breakdown is not yet available.

ONE-THIRD REDUCTION

The SSI program is designed to provide a minimum income level to needy aged, blind, and disabled individuals whose income and resources are below levels established in the statutes. Section 1612 of the act provides that in determining an individual's eligibility for and amount of SSI payment, the individual's earned and unearned income must be taken into account. This section also provides that income includes support and maintenance. However, in recognition of the practical difficulties involved in determining the actual

value of goods and services received by an individual living in the household of another, the Congress provided a standardized value for this income equal to one-third of the otherwise applicable payment standard. It seems likely that the actual value would in most cases exceed one-third of the payment standard and that counting actual value would cause a reduction greater than one-third.

Section 1612 of the Social Security Act does not define income. Instead, it classifies income (be it cash or in kind) as unearned or earned income and lists some types of income in each category.

Early in the development of program policy, SSA recognized that the statutory list of income types was insufficient to administer income policy. A regulatory definition of income was formulated to help delineate what is income and what is not income. Income is defined as anything an individual receives that he/she can use to meet his/her needs for food, clothing, or shelter (20 CFR 416.1102). SSA derives all other income policy from this definition.

Income, whether earned or unearned, may be received in two forms—in cash (e.g., a title II check) or in kind (e.g., a child regularly pays for groceries). In-kind income is defined as income that is not cash but is actually food, clothing, or shelter or something else an individual can use to obtain food, clothing, or shelter (20 CFR 416.1102).

One of two types of unearned in-kind income is "in-kind support and maintenance." In-kind support and maintenance is the actual food, clothing, or shelter that an individual receives when someone gives it to the individual or pays for it (20 CFR 416.1130). For example, an individual receives in-kind support and maintenance if someone pays the individual's rent, utility bills, etc.

The second type of unearned in-kind income is an item an individual receives (but not food, clothing, or shelter) that he/she could sell or convert into cash. A gift of jewelry, for example, is in-kind income because an individual has the option to sell the jewelry and use the proceeds to buy food.

When an individual lives in a household (as opposed to an individual who has no home or who lives in an institution), he/she may receive in-kind support and maintenance from two sources—from the other people living in the household and/or from people who live outside the household. Often people living in households pool their funds to pay the operating expenses of the household. When this occurs, SSA determines whether an individual "receives" in-kind support and maintenance from within the household, i.e., from the other people living there. SSA compares the individual's contribution toward the pooled funds with his/her pro rata share of the household operating expenses for food and shelter. If the individual contributes an amount equal to or greater than his/her share, SSA determines that he/she does not receive any in-kind support and maintenance from the other household members. That is, if the individual contributes a pro rata share, the individual supports himself/herself and, therefore, does not receive any food or shelter from anyone else in the household. Conversely, if the individual's contribution does not meet his/her pro rata share, SSA determines that the individual receives support from the other household members (i.e., in-kind support and maintenance (20 CFR 416.1133)). This concept is termed "sharing" and applies to all indi-

viduals who live in households, including those who own or rent their homes and those who do not.

If an individual receives in-kind support and maintenance from within the household, SSA values the in-kind support and maintenance under one of two rules—the statutory one-third reduction rule or the regulatory presumed maximum value rule (20 CFR 416.1131 and 416.1140, respectively).

Two criteria must be met in order for the one-third reduction to apply. The individual must live in the household of another throughout a month and receive both food and shelter from within the household. The first of these criteria, "living in the household of another," is met when the individual does not own or rent the household, does not contribute his/her pro rata share of expenses, does not live in a noninstitutional care situation, and does not live in a household where everyone else receives specified public income maintenance payments. An individual meets the second criterion when both food and shelter are received from within the household. Examples of when this criterion is not met are when the individual buys all of his/her own food apart from everyone else's food or buys and eats all meals outside the household.

When SSA determines that in-kind support and maintenance from within the household is subject to the one-third reduction rule, it is valued at one-third the Federal benefit rate (FBR). Regardless of whether the actual value of the in-kind support and maintenance is more or less than one-third the FBR (i.e., the individual's pro rata share of household operating expenses minus his/her contribution), SSA counts one-third of the FBR.

When in-kind support and maintenance from within the household cannot be valued at the one-third reduction because one of the criteria is not met, the in-kind support and maintenance is valued under the presumed maximum value rule. SSA presumes that the value of the in-kind support and maintenance is equal to one-third the FBR plus $20. If the individual wishes, he/she may submit evidence to rebut this presumption. If the evidence submitted establishes that the actual value is less than the presumed value, SSA counts only actual value. However, even if the evidence establishes that the actual value is greater than the presumed value, only the presumed value is counted.

When there is an indication that in-kind support and maintenance may be received from within a household, SSA FO personnel ask the individual questions about household operating expenses and his/her contribution toward them. If the individual's answers clearly show that he/she received both food and shelter while living in the household of another or that he/she receives in-kind support and maintenance and its actual value is more than the presumed maximum value, SSA obtains no further evidence. In these cases, the individual's own allegations support SSA's administrative presumption that an individual living in the household of another receives in-kind support and maintenance subject to the one-third reduction or that the individual receives in-kind support and maintenance actually worth the presumed maximum value or more. However, if the individual's own allegations raise a question about charging in-kind support and maintenance at the one-third reduction or presumed maximum value, SSA FO's explain to the

individual what evidence is needed to rebut these presumptions. For example, if an individual who lives in someone else's household submits evidence that he/she buys his/her own food separately, he/she has rebutted one of the two criteria for applying the one-third reduction, i.e., the receipt of both food and shelter. Similarly, if an individual submits evidence showing that he/she contributes $110 toward his/her pro rata share of $95, he/she has proven that he/she receives no in-kind support and maintenance from within the household. Evidence of household operating expenses and contributions generally consists of a signed statement from a knowledgeable household member (usually the owner/renter) and may include bills or receipts for some of the expenses.

Two concepts underlie income policies and procedures developed over the past 10 years. First, for SSA to determine that "income" has been received, the item received must meet the definition of income. That is, it must be food, clothing, or shelter, or something else the individual could use to obtain one of these. Second, for SSA to determine that some in-kind item his been "received," someone must have given the item to the individual or paid for it. Thus, if the individual has paid for an in-kind item, he/she has not actually "received" any income. Without this concept, anything coming into an individual's possession, regardless of whether he/she paid for it, would be income. This is the origin of SSA's rule which provides that an individual who contributes an amount equal to (or greater than) his/her pro rata share of household expenses does not "receive" in-kind support and maintenance and, therefore, cannot be subject to the one-third reduction.

Key interpretations, litigious history, and operating experience influencing current policies:

—Section 1612(a) of the statute requires SSA to apply the one-third reduction "* * * in the case of an individual * * * living in another person's household and receiving support and maintenance in kinds. * * *" (Emphasis added.)

—The Office of the General Counsel (OGC) has advised and the statute imposes two criteria, both of which must be met before the one-third reduction can apply: living in the household of another *and* receiving in-kind support and maintenance. In an 1980 opinion OGC stated, "* * * the one-third reduction is not applicable where an individual is not (1) living in the household of another, or (2) receiving support and maintenance. * * * We think it is clear from the statute and legislative history * * * that the one-third reduction must be applied where the statutory criteria are met (i.e., living in the household of another and receiving support and maintenance)" (section V, tab F). In the same opinion, OGC confirmed that the current policy of considering an individual's contribution complies with the statutory requirement that we must establish whether the individual is in fact receiving support and maintenance from within the household. In a 1982 opinion, OGC summed up SSA's current policy on the one-third reduction by stating, "This rule, known as the one-third reduction rule, dictates that whenever an SSI claimant lives in the household of another, SSA must deter-

mine whether that claimant receives both food and shelter there at less then cost" (section V, tab G).

—Operational policy since 1974 has recognized that an individual living in the household of another may rebut the one-third reduction rule by establishing that he/she contributes an amount equal to his/her pro rata share of household operating expenses (also known as "sharing").

—In 1976, the House Ways and Means Committee stated, "The committee wished to reemphasize its approval of this "sharing" policy by stating its intention that any SSI recipient living in the household of another who contributes his pro rata share toward household expenses should not be subject to the one-third reduction by reason of his living arrangements."

—While the April 1977 report of the staff to the Senate Finance Committee stated that SSA's "sharing" policies are contrary to Congress' original intent, it also went on to admit that the conditions imposed by the statute have proven difficult to administer. Regarding any attempt to undo existing policies, the report states that "* * * a change * * * should be made through corrective legislation."

—In a pretrial settlement to a civil action suit filed by the Action Alliance of Senior Citizens of Greater Philadelphia in May 1977, SSA agreed that the one-third reduction could apply only if an individual living in the household of another receives both food and shelter and eats and sleeps in the household. As a result of this agreement, SSA developed a policy in 1978 that an individual who eats all meals outside the household or who buys his/her food separately is not subject to the one-third reduction.

—A major effort has been underway for several years to entirely revise operating instructions on in-kind support and maintenance (including the one-third reduction) and other in-kind income. A larger portion is complete and was issued in April 1983. While the general consensus from the field is that the new version and operational changes are logical and equitable, they, nonetherless, are still cumbersome and complex.

QUALITY ASSURANCE

Since the inception of the supplemental security income (SSI) program, one of the agency's primary commitments has been to improve the effectiveness and efficiency of its policies and their administration. Recognizing the need to provide a mechanism in the complicated cash-assistance program to assure accountability to the States and to Congress for the hundreds of millions of dollars being disbursed monthly, the Social Security Administration (SSA) established as an integral part of the Federal administrative structure a QA system.

The QA system provided for full field reviews of sample cases, with home visits and third party contacts included. The system was designed to be based upon a universe of all payments issued so that

a projection could be made of all dollars incorrectly paid in the universe.

This broad-based SSI QA program proved to be an immense help in the first 2 years when there was wide-spread concern over problems with SSA's computerized check-generating process. The QA system provided overall payment error data as well as articulate information regarding types and causes of error. The Commission was able to tell Congress precisely how big the problem was, what the greatest types and causes of errors were (by dollar magnitude), and to delineate the specific actions SSA was taking to get at each of the problems. In the first 2 years, the building of effective computer interfaces with regular social security payments and Veterans Administration (VA) benefits were responsible for removing nearly one-third of all the early errors. A high priority (and thus manpower resources) was given to the building of these interfaces because the QA data showed that these two types of errors (title II payments and VA benefits) were resulting in about $150 million in errors annually. They could be controlled through administrative mechanisms which were comparatively inexpensive given the size of the payment errors.

In 1976, the appraisal effort was expanded further to include an end-of-line evaluation of both initial claims taken and the quality of postentitlement (redetermination) actions. This examination of "adjudication" process quality in addition to "payment" quality provided a two-fold approach to the appraisal process.

In most QA programs, the objective is to measure how well operating personnel implement the policies and procedures that are applicable to their actions. The SSI QA effort measures the accuracy of the SSI payments as well as the quality of SSA's administration of the program.

In establishing a dual assessment function (measuring both procedural consistency and payment accuracy), SSA provided a means by which management can:

(A) Measure independently the quality of SSA's administration of the SSI program. (Are the laws being uniformly and accurately applied and are eligible individuals receiving the correct benefits?)

(B) Identify policy, procedural, systems, and operational problems which are affecting the quality of SSI payments, denials, and suspensions.

(C) Formulate corrective management actions and recommendations based on sample findings to improve the administration of the program.

(D) Obtain data upon which Federal fiscal liability will be determined (i.e., the degree to which State funds are accurately paid out by SSA in its administration of the program).

Review Procedures

In assessing SSI program quality, two separate and distinct review procedures are employed—adjudication process and payment accuracy reviews. These reviews are conducted by staff of SSA's Office of Assessment (OA), whose function it is to independently evaluate the administration's effectiveness in administering

the various programs within its jurisdiction. The review staff are located in 10 regional field assessment offices and 17 satellite offices around the country.

ADJUDICATION PROCESS REVIEW

This represents the more traditional review function common in most QA programs—an end-of-line evaluation of completed claims to measure adherence to operating policies and procedures. This review samples both initial claims taken by SSA district offices and redetermination actions processed each month. Over 8,000 initial claims and 5,000 redeterminations are reviewed monthly by OA personnel.

The reviews examine individual claims folders, taking an in-depth look at whether the development and documentation in the casefile follow national program operations manual system (POMS) instructions. Based on the material in file, an evaluation is made of the adequacy of documentation and evidence and whether the payment decision is supportable. Errors are categorized as being either merely evidentiary in nature, or as leading to an error in the amount of payment issued.

In addition to providing a measure of line performance in adhering to operating policy and procedures, the adjudication process reviews are able to give managment data relatively quickly on the effectiveness and degree of consistent implemention of new policy initiatives and procedural changes. This information can be used to pinpoint particular areas where problems exist or where corrective action may be necessary.

PAYMENT ACCURACY REVIEW

Above and beyond a simple assessment of adherence to operational guidelines, SSA is able to measure the quality of the program through ongoing reviews of payment accuracy. These reviews are based on the law and regulations themselves and serve to provide a consistent overview of the effect of any procedural tolerances SSA may be introducing through its instructional guidelines.

These reviews go beyond merely examining the beneficiary's claims folder. Quality reviewers meet with randomly sampled individuals in their homes and redevelop all factors of eligibility (including income, living arrangements, resources, etc.). The reviewers also go the additional step of verifying eligibility factors, except for the medical aspects of disability and blindness, with third-party sources (such as banks, employers, landlords).

Each month a stratified random sample of approximately 1,850 cases is selected and reviewed for the correctness of both eligibility and payment amount. Overpayments and underpayments are compiled and recorded by entitlement factor and cause of error. These figures serve as the basis for evaluating the relative "health" of the SSI program, as well as the degree of Federal liability for SSA-administered State payments.

The payment quality data is broken out to provide information on not only the numbers of errors but also the specific program areas in which deficiencies are found to occur. This information serves as the basis for SSA's profiling system which allows re-

sources to be focused on redetermining those cases most likely to be in error.

The number of cases selected provided statistically valid results on a nationwide and regional basis. At the end of each sample period, the QA staffs in each region and in central office prepare reports of their findings. From these reports, SSA determines which areas of the program require attention and how well past error reduction initiatives are doing.

Comparative Accuracy Rates, 1974–83

Examination of error data gathered by OA indicates the progress made in the past 10 years in administering the SSI program. As the chart indicates, SSA has been able to reduce payment error from a high of 11.5 percent in June 1974 to 3.7 percent in September 1983.

OA NATIONAL SSI PAYMENT ERROR RATE

Period	Category in percent			Total SSI payments (billions)	Total SSI overpayments (millions)
	Overpayments	Payments to ineligibles	Total		
July 1974–December 1974	5.9	5.0	10.9	$3.3	$302
January 1975–June 1975	5.2	6.3	11.5	2.8	321
July 1975–December 1975	4.9	6.0	10.9	2.9	315
January 1976–June 1976	3.4	4.8	8.2	3.0	243
July 1976–December 1976	2.9	4.0	6.9	3.0	210
October 1976–March 1977	2.8	3.5	6.3	3.0	190
April 1977–September 1977	2.5	2.7	5.2	3.1	160
October 1977–March 1978	1.8	2.8	4.6	3.2	146
April 1978–September 1978	1.8	2.8	4.6	3.3	151
October 1978–March 1979	2.1	2.9	5.0	3.3	166
April 1979–September 1979	1.8	3.1	4.9	3.5	171
October 1979–March 1980	1.9	3.1	5.0	3.7	185
April 1980–September 1980	1.7	3.2	4.9	3.9	193
October 1980–March 1981	2.1	3.2	5.3	4.1	219
April 1981–September 1981	1.7	3.2	4.9	4.1	205
October 1981–March 1982	1.8	3.0	4.8	4.2	202
April 1982–September 1982	1.6	2.5	4.1	4.3	177
October 1982–March 1983	1.7	2.4	4.1	4.4	183
April 1983–September 1983	1.6	2.1	3.7	4.8	174

On the opposite side of the ledger, SSA's performance in the area of underpayments has also improved. As of March 1983, SSI underpayments were reduced to only 1.1 percent of all payments.

In reporting this information, the Office of Assessment is able to precisely define exactly how and why these beneficiaries were overpaid or underpaid. As the following charts illustrate, each error found is broken down into whether beneficiary or agency fault was primarily responsible for the incorrect payment. Beyond that, the data attempts to pinpoint precisely where in the administrative process the problem arose (i.e., incomplete development, incorrect data transfer, etc.). Additionally, the errors are categorized according to what type of deficiency caused the incorrect payment (e.g., unreported bank accounts, incorrect wage information, etc.) and the most predominant highlighted for corrective action purposes.

During the 10 years of its operation, 4 major deficiency types have figured most prominently in causing SSI overpayment/underpayments:

BANK ACCOUNT OWNERSHIP

A bank account ownership error occurs when a beneficiary is found to have funds in savings accounts, checking accounts, or saving certificates totaling over the applicable resource limit ($1,500 for an individual; $2,250 for a couple). Virtually all bank account error is in the form of payments to beneficiaries who should get no benefits and results from faulty beneficiary reporting practices.

HOUSEHOLD LIVING ARRANGEMENTS

Deficiencies of this type result because the beneficiary's Federal benefit rate (FBR) did not reflect his correct household living arrangement (i.e., living in own household, living in the household of another). A major problem involves determining that an individual can be considered to be living in his own household because he is paying his pro-rata share of expenses.

WAGES

This type of error happens when earned or deemed wage income is not reflected on the SSI payment record, or an incorrect amount is used to compute the SSI payment.

SUPPORT AND MAINTENANCE

This deficiency type occurs when a beneficiary receives support and maintenance income either in cash or in-kind (in-kind includes free housing, low rents, free food, etc.), and this income was omitted, or an incorrect amount was used, in determinig the SSI payment.

The following charts show how the QA data is broken out for both overpayment and underpayments in a particular sample period (in this case October 1982–March 1983). As has typically been the case, bank accounts are the primary cause of excess payments and incorrectly recorded household living arrangements the primary cause of underpayments.

EXCESS PAYMENT DEFICIENCY SOURCES, NATION, OCTOBER 1982–MARCH 1983

	Percent of Excess Dollars	Percent of Excess Payment Cases
Beneficiary caused:		
Inaccurate or incomplete information (beneficiary/representative payee/third party)	34.3	33.2
Failure to report charges (beneficiary/representative payee/third party)	32.0	31.9
Total	66.3	65.1
Agency failure to take correct action:		
Operations:		
Incomplete development and verification by DO or PSC	16.2	12.6
Failure to take action/followup on known change	1.9	2.9

EXCESS PAYMENT DEFICIENCY SOURCES, NATION, OCTOBER 1982–MARCH 1983—Continued

	Percent of Excess Dollars	Percent of Excess Payment Cases
Incorrect determination	4.2	2.8
Incorrect data transfer to systems	.3	.9
Incorrect processing of manual action	.1	.3
Procedures:		
Administrative tolerances	8.8	11.2
Subjective/judgmental determinations	.1	.2
Policy:		
Policy interpretations/application	1.4	3.1
System:		
Payment system failure/inadequacy	.7	.9
Total	33.7	34.9

TOP THREE DEFICIENCIES, EXCESS PAYMENTS—EXCESS PAYMENT CASES NATION, OCTOBER 1982–MARCH 1983

[In millions of dollars]

Deficiency type	Percent of excess dollars	Percent of excess payment cases	Projected excess deficiency dollars
Bank accounts	26.1	17.6	55.1
Support and maintenance	13.1	23.0	27.6
Wages	8.0	9.2	16.8

UNDERPAYMENT DEFICIENCY SOURCES NATION OCTOBER 1982–MARCH 1983

[In millions of dollars]

	Percent of underpaid dollars	Percent of underpaid cases
Beneficiary:		
Inaccurate or incomplete information (beneficiary/representative payee/third party)	21.5	21.6
Failure to report changes (beneficiary/representative payee/third party)	36.3	34.5
Total	57.8	56.1
Agency:		
Operations:		
Incomplete development and verification by DO or PSC	16.1	17.1
Failure to take action/followup on known change	8.0	6.6
Incorrect determination	7.3	7.9
Incorrect data transfer to systems	3.5	2.6
Incorrect processing of manual action	0.3	0.9
Procedures:		
Administrative tolerances	3.9	5.2
Subjective/judgmental determinations	2.3	2.2
Policy:		
Policy interpretation/application	0.5	0.9
System:		
payment system failure/inadequacy	0.3	0.5
Total	42.2	43.9

TOP THREE DEFICIENCIES, UNDERPAYMENTS, NATION, OCTOBER 1982–MARCH 1983

[In millions of dollars]

Deficiency type	Percent of underpayment dollars	Percent of underpayment cases	Projected underpayment deficiency dollars
Living arrangements (household)	40.5	28.8	21.8
Support and maintenance	17.0	25.2	9.2
Wages	16.0	15.2	8.6

In addition to SSA's ongoing reviews, which gather data necessary to produce the above reports, special studies are also carried out to further identify areas requiring corrective actions which improve the efficiency and integrity of the SSI program. Since the QA system was implemented back in 1974, literally hundreds of corrective action proposals have been generated, and refinements to the program made as a result.

Through data on the source of the error and the overall dimension of the problem, SSA is able to direct resources toward training personnel (in areas where the agency is found to be frequently "at fault") or in educating beneficiaries on their reporting responsibilities and strengthening application requirements (in areas where the beneficiary has been found to be primarily responsible for the error occurring).

Among the many management initiatives carried out during the past years to reduce error have been the following:

(A) Prioritizing redeterminations according to QA data error profiles.

(B) Prepayment review of large retroactive payments.

(C) Special bank account development procedures by district office claims personnel.

(D) A computerized computation system to avoid manual processing miscalculations.

(E) A public awareness campaign to assist in making beneficiaries aware of their reporting requirements.

(F) Special interviewing training to make SSA claims personnel better able to make the complex SSI requirements understandable to claimants.

(G) A program to reduce the volume and complexity of SSA's documentation requirements.

IMPROVEMENTS CURRENTLY UNDERWAY

Field Office Systems Enhancement

The field office systems enhancement (FOSE) project is part of SSA's system modernization plan (SMP). The objective of the FOSE project is to provide field offices with new automated capabilities to support programmatic, administative and management information processes. This entails delivery of advanced processing technology to automate many of the annual functions presently being performed. These tasks will be accomplished using a phased-in approach.

Functions to be provided under phase I will include automated computations, case management control capabilties, and direct applications and data entry. Automated computations will provide field offices with the ability to enter variable data into the system which will then perform title II computations independent of manual interfaces. The direct application and data entry capability will provide field offices with an automated facility for taking title II claims under phase I and title XVI claims under phase II. The case management control system capability will provide control and management information capabilities in a fully automated mode for both title II and title XVI claims and reconsiderations and SSI redeterminations.

Initial applications to be implemented under phase I of the FOSE project are targeted primarily toward the title II program. Automation of title XVI functions will be implemented under phase II of the project.

A functional analysis of field offices was completed by SSA in August 1983. Automation of the following SSI functions was recommended based on this analysis: (1) Computations, and (2) interactive data entry for title XVI claims and post-entitlement activity.[13]

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APPENDIX A. OTHER MAJOR STUDIES

SENATE FINANCE COMMITTEE STAFF REPORT

On January 28, 1975, the Senate Committee on Finance directed its staff to conduct a study of the SSI program because there were indications that the program was not living up to expectation.

The staff's evaluation of the program covered the first 3 years of operation—1974 through 1976—and was based on a variety of sources. These included conferences with administration officials; a mail survey of State Governors; a telephone survey of and staff visits to social security offices; interviews with State and local welfare officials, and interviews and communications with individuals and agencies interested in the program.

The staff submitted its study report to the chairman of the Finance Committee on April 18, 1977.

The following summarizes the Staff's findings and recommendations;

PROBLEM AREAS

The Staff found major problems in the administration of the program, the formation of policy, SSA's interrelationships with the States and the SSI population, and the disability aspects of the program.

Some of the specific problems included:

(a) An inadequate and incomplete computer system.

(b) Shortages in staffing and materiel resources (inadequacy of staffing was the most severe and persistent problem).

(c) Poor "product" quality—i.e., a high error rate in payments, inaccurate disability determinations, incomplete redeterminations.

(d) Policy decisions counter to requirements of the statute.

(e) Confusion about the program's interrelationship with the States.

(f) Inadequate mechanisms for dealing with emergency situations faced by recipients.

(g) A large volume of litigations challenging SSA's processes.

(h) A growing proportion of disabled recipients, which involved lengthy claims processing and complex factors.

RECOMMENDATIONS

The staff made numerous recommendations, ranging from suggestions for SSA action to proposals for legislative changes. Recommended actions included the following:

(a) Commit additional resources as needed to bring the SSI computer system to completion and adequate functioning.

(b) Reevaluate SSI personnel requirements and request the additional positions needed.

(c) Modify the quality assurance program—eliminate the $5 monthy tolerance for error; establish a continuing sample of initial claims and post-eligibility actions; establish procedures for a mandatory second professional review of sensitive and error-prone claims; establish a simple quarterly reporting pro-

cedure for all beneficiaries; implement procedures to collect overpayments as soon as they are discovered.

(d) Review SSI policy; establish procedures to assure that major policy decisions comply with the statute and legislative history.

(e) Revise the accounting to the States of State supplementary payments.

(f) Determine the amount of error in the medicaid program directly traceable to SSI errors.

(g) Work with the States to develop procedures for referring recipients for State-administered services and benefits.

(h) Take action to assure the availability of mechanisms for dealing with emergency situations faced by recipients.

(i) Study the policy of disallowing SSI claims without taking and adjudicating a formal application; develop specific criteria to guide field employees in deciding whether to recommend the filing of formal applications.

(j) Improve SSI disability operations through better training and use of personnel and strengthened review procedures.

Report of the SSI Study Group

In April 1975, the Secretary of Health, Education, and Welfare established the SSI study group, a five-member panel of specialists in public administration and computer technology, to evaluate the SSI program. The group was chaired by Philip J. Rutledge, director of office of policy analysis and professor of public administration at Howard University.

The study group met twice monthly from June through December 1975. Meetings were open to the public and were publicized in advance in the Federal Register. Oral and written testimony was requested from constituent groups and the public. In addition to these formal meetings, the group conducted factfinding visits to SSA field offices across the country.

Chairman Rutledge submitted the group's report to the Commissioner of Social Security and the Secretary of HEW on January 16, 1976.

The group concentrated its study on six major policy and operational areas—the Federal and State roles, eligibility criteria, service to the client, management and administration, program quality, and computer systems.

Based on its findings, the study group made a number of recommendations. Following is a summary of the major recommendations.

STATE SUPPLEMENTS

Retain Federal administration only in States agreeing to a uniform supplementary payment level. Return administration of "special needs" assistance payments to the States. Permit only one level of supplementation within a State. Eliminate the requirement that States provide mandatory supplements and the penalty of withholding medicaid funds if States do not provide a supplement.

FEDERAL SSI PAYMENTS

The long-term goal should be a basic payment level equal to the poverty level. Eliminate the one-third reduction for living in another person's household; count only cash contributions as income. Amend the law to include only liquid assets in the value of resources, to exempt the home in which the recipient lives, and to exclude household goods, personal effects, and a car from resources. Modify the program to provide the same earned or unearned income exemptions for an ineligible spouse as for an eligible individual, and to disregard deemed income of parents when a child reaches 18. Shorten the duration of disability requirement to 6 months.

ELIGIBILITY PROCEDURES

Develop specific rules on informal denials. Establish processing goals—30 days for initial decisions on aged claims, 45 days for initial decisions on disability/blind claims.

PROGRAM QUALITY

Make and periodically update an analytic systems review to concentrate resources where risks are the greatest. Conduct an audit of the quality assurance system to ensure that target deficiencies and resulting errors are corrected. Negotiate revisions needed to make the accounting system acceptable to the States for the SSA reports of supplements paid on their behalf. Involve the States in revising the quality assurance system so that the system becomes the basis for determining Federal fiscal liability.

ADMINISTRATION

Utilize the current SSA reorganization to create strong program bureaus with full responsibility and authority for their programs. Achieve better distribution and use of available staff and stop inappropriate use of temporary and term employees. Establish mandatory case responsibility from interview through authorization. Develop performance goals and standards and institute periodic formal reviews of actual performance against goals. Make employee specialization the norm instead of the exception in SSA offices. Establish a means of interrelating with advocacy and legal aid groups. In administering the program, place major reliance on projections based on the existing caseload, rather than on original projections of the SSI universe. Decide whether to permit the States to use the SDX for outreach efforts. Modify personnel policies to recruit and retain persons trained in the computer sciences and related fields, to encourage present employees to obtain degrees in these fields, and to use the probation period of employment and promotional opportunities to reward quality.

COMPUTER SYSTEMS

Freeze the SSI system and regularly update it. Document and label each version of the system and retain a backup. Retire old versions as new versions are implemented. Name a project leader

for the development of each new version of the SSI system. Organize systems development and programing efforts on each new version into teams, and name a team leader. Once validated and implemented, a new version would become the responsibility of the operating bureau. Redesign the input and output formats for the SSADARS system to make them more intelligible.

As the study group proceeded, it found other problem areas which it felt warranted investigation but which fell outside its charter or could not be accomplished within the study's timeframe. These problem areas included: the cost effectiveness of the vocational rehabilitation program; the relationship between the food stamp program and the SSI program; the social security and SSI disability programs; the amount of the SSI payment to a married couple; and the desirability of a unified national long-term care policy and related programs for the aged, blind, and disabled. The group recommended that these problems areas be investigated in depth by the Department or an outside group.

Assessment of SSA Service to the Public

In February 1978, the Acting Commissioner of Social Security asked Joseph P. Maldonado, a former Regional Director of Health, Education, and Welfare, to conduct a broad-scale review of SSA's service to the public. The Acting Commissioner's request stemmed from increasing criticism about the quality of the agency's service.

Mr. Maldonado's assessment was based on comparisons of statistical data on claims processing and payment accuracy; visits to SSA offices; meetings with SSA components, congressional administrative aides, and advocacy groups; a community meeting in Daytona Beach, Fla.; and various reports and studies by and about SSA.

He submitted his report, Assessment of SSA Service to the Public, on June 15, 1978. His recommendations ranged from technical and managerial suggestions to major administrative and legislative changes.

While Mr. Maldonado's report dealt with service to the public in all SSA programs, this paper generally summarizes only his evaluation of and recommendations for service in the SSI program.

MAJOR PROBLEM AREAS

Mr. Maldonado made the following criticisms:

(a) Letters, notices, and other written materials to recipients were incomprehensible.

(b) Public information and outreach activities were inadequate.

(c) SSA was not sensitive to clients with special needs—the blind, the mentally retarded, Native Americans, non-English-speaking and hearing-impaired persons—and there was some discrimination against SSI claimants and recipients.

(d) Claimants were frustrated because they could not see the same interviewer each time they visited an SSA office.

(e) SSA did not have ombudsmen or advocates in field offices to assist claimants with difficult procedures.

(f) SSA did not adequately coordinate State and local services, nor did it provide adequate information and referral services.

(g) SSA did not provide toll-free phone service and transportation service for its clients.

(h) Both the disability claims process and the hearings process took too long; the delay in receipt of benefits often caused extreme hardship for the claimant.

(i) The definition of disability was too strict and disability provisions constituted disincentives to working.

(j) SSI living arrangements and computation rules were confusing and unfair.

(k) SSI payments and replacement of lost or stolen SSI checks were made too slowly.

RECOMMENDATIONS

Mr. Maldonado recommended that SSA take the following actions or explore the feasibility of doing so:

(a) Conduct a "continuing client satisfaction survey," as well as an ongoing field employee survey, to identify and resolve problems in service to the public.

(b) Establish a "central editorial group" to review notices, instructions, public information, and other written materials to insure readability.

(c) Increase emphasis on training interviewers and receptionists in field offices.

(d) Arrange one-to-one relationships between interviewers and claimants.

(e) Place ombudsmen in field offices; establish an advisory panel of advocates.

(f) Coordinate SSA services and activities with State and local social service agencies and provide better information and referral services.

(g) Coordinate transportation services and provide toll-free phone service to meet the needs of the disabled, elderly, and disadvantaged.

(h) Provide receipts to claimants giving time frames for completion of their claims.

(i) Promote legislative and/or regulatory changes in work incentives for the disabled and simplification of SSI rules and procedures.

APPENDIX B.—FIELD OFFICE STAFF

District/branch manager (DM/BM).—The DM or BM is responsible for the overall operations of the office and for all Social Security activities in the office's service area. Since branch offices are "subsidiaries" of the district office, branch managers report directly to the district manager.

Assistant district manager (ADM).—The ADM is second in command to the DM and serves as the DM's alter ego. Some small district offices do not have an ADM.

Operations officer (OO).—The OO position exists only in large district offices and serves to coordinate all operational activities,

e.g., claims processing, in the district office. Branch offices do not have operations officers.

Staff assistant (SA).—The SA serves as the liaison between the agency and major governmental agencies and employers headquarters in the office's service area. This position is most frequently found in offices parallel to State capitols.

Operations supervisor (OS).—The OS serves as the first line supervisor for employees in the office. The number of employees supervised usually runs from 12 to 19. Normally, OS's supervise all types and grades of employees described below.

Claims representatives (CR).—The CR is responsible for taking, developing and adjudicating claims. In most large offices CR's specialize in either title II or title XVI program responsibilities. (Specialization is addressed in another part of this document.) In addition to claims processing, CR's handle complex posteligibility issues such as SSI redeterminations, continuing disability reviews, etc.

Service representatives (SR's).—SR's respond to general inquiries and handle most posteligibility issues, such as changes of address, requests for status of benefits, reports of work activity, etc.

Data review technicians (DRT).—DRT's are responsible for preparation and review of input documents to make input of specific information to the appropriate SSA computer record.

Development clerks (DC).—DC's provide clerical and secretarial support.

Receptionist.—The receptionist greets office visitors, determines the reason for the visit and assigns the visitor to the appropriate interviewer (either CR or SR).

Others.—Other positions, such as mail clerk and administrative aide, perform various support functions in the office.

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